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OFFICE OF STRATEGIC SERVICES

Research and Analysis Branch

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ECONOMIC CONTROLS IN NAZI GERMANY

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Description

This report analyses German economic controls in all fields except labor, public finance, and foreign trade. An introduction describes the changes from July to November 1943.

10 December 1943

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INTRODUCTION AND SUMMARY

The economic policy of National Socialism may be divided into the following stages:

a) the initial stage
b) Schact's New Plan of 1934
c) the emergence of war the economy in 1939
d) the reorganization of German economy in the spring of 1942
e) the transfer of power to Speers' Ministry for Armaments and War Production.

In the initial phase, Nazi economic policy was not much different from any other anti-depression policy. The Nazis endeavoured to overcome unemployment and stimulate private enterprise by extending the make-work policy of the previous democratic and semi-dictatorial periods. On December 24, 1934, Schacht's New Plan came into operation. Under this plan, preparedness economy was introduced. Its primary aim was to control the flow of raw materials and to devise a system of raw material allocation.

The Four Year Plan of 1936 initiated the adaptation of Germany's economy to imperialist war.

The outbreak of the war did not produce many changes in the policy, although such changes had been planned. The "Blitzkrieg" made them unnecessary to the Nazi regime.

The strain of the war was fully felt for the first time in the fall and winter of 1941, leading to serious cracks in the control system. In the spring of 1942, a complete overhaul of German war economy was undertaken. The effect of the reform may be summarized as follows: The bureaucratic controls of the economy were thought to be inadequate. Bureaucratic interference led to such complications that red tape tended to stifle economic activity. The form of the spring of 1942 attempted to utilize the initiative of the entrepreneurs by delegating considerable powers to business organizations.

It would be wrong to believe that Germany has successfully solved the administrative problems created by the war. She has undoubtedly done well, because she has accepted three principles:

1. The World War has demonstrated the great significance of 'material' and has thereby shown that modern war is a war of factories.

2. "the war has further shown that one of the most important elements of victory not to be purchased by money, is time. It takes a great deal of time for war production to come to full operation."

3. "The development since the World War has shown a perpetual rise of armaments with equally growing mechanization and motorization of the armed forces. A coming war may, therefore, require a huge amount of material and may be drawn out to such an extent that the capabilities of the national economy must be strained to the limit" 1/

These principles have been applied in Germany since 1934 -- fully since 1936. It is primarily the time factor that has given Germany her economic strength, and not the superiority of her economic organization, which is as complicated as that of any other country.

The major difficulties of any war economy arise, of course, from the fact that a number of agencies compete and will continue to compete for labor, raw materials and machinery. No system can be devised which fully reconciles these competing claims. The difficulties are, besides, enhanced by conflicts within the ruling groups. Though such antagonisms may be publicly aired, it does not mean that they do not exist. Their existence becomes obvious at the moment the controls are changed. In order to justify the changes, the previous organizational pattern is indicted and a number of economic chiefs (like Schacht, Darre, Wagner) simply disappear or like Funk, are demoted.

Such antagonisms exist within the Nazi government. The requirements of the military and civilian sectors must be reconciled. The finance commissioner desires higher revenue, the minister of economics desires to grant industry more capital for accumulation while the price commissioner wants lower prices. The foreign minister wants to export machinery, while the armament minister wants it curtailed. Himmler wants artisans for the East, while Sauckel desires them for German industry. There are antagonisms between industry and agriculture mainly caused by the different price levels. Within industry, the raw material extracting industries are opposed to the processors. The old and the new industries have different policies. Small business demands security. There is, above all, the intense class antagonism between labor and the regime, leading to ever more stringent measures of oppression

1/ Institut Für Konjunkturforschung Industrielle Mobilmachung. Hamburg 1936. S. 8.

All these conflicts were intensified in the course of 1942 and 1943 and led finally to the concentration of full powers in the hands of Albert Speer, paralleling the appointment of Heinrich Himmler as Minister of the Interior and member of the Ministerial Council for the Defense of the Reich.

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THE REORGANIZATION OF THE GERMAN ECONOMY

IN SEPTEMBER 1943

1. The Decree

The text of the following report indicates that the reorganization of the spring of 1942, especially the expansion of Speer's power over the economy, led to a split in the system, namely a competition between the Funk and the Speer. This Split became especially apparent in the raw material allocation. While Speer was responsible for armament production, Funk remained responsible for raw material allocation, primarily through the various Reichsvereinigungen, the Spheres of Steering, and the other government and self-government agencies within them. As a consequence of this competition, stockpiles began to accumulate in some enterprises, while others were in need of raw materials and machinery.

To remedy this situation, Hitler on September 21, 1943, issued the following directive:

"The contingencies of war necessitate the further concentration and unification of the control and organization of the war economy, in order to utilize even more effectively than hitherto the economic strength of the German people for war purposes.

Total productive capacity and manpower in the future must be used to an even greater extent and more intensively to achieve an increase of armament production. To this end, German war production must be directed from one place, according to uniform direction."

The decree by the Fuehrer of Sept. 2, 1943, "Concerning Concentration of the War Economy", put the Reichminister for Armaments and Munitions in control of total German production for the duration of the war, and made the Reich Minister of Economics responsible for the general economic policy, for supplying the population with consumer's goods, for monetary policy, for foreign trade questions in the framework of the foreign trade policy of the Reich, and for financing of the economy as well as for production. The authority of the Reich Minister of Economics in these spheres has been extended.

To insure the execution of these tasks, the Reich Marshall fo the Greater German Reich in his capacity as Delegate for the Four-Year-Plan, has appointed the Reich-Minister of Economics, Dr. Walther Funk, to be a member of the Central Planning Board.

Simultaneously, the Reich Marshall has extended the authority of the Reich Minister Speer Commissioner General for Armament Tasks in the Four-Year-Plan to the whole war production.

The Commissioner-General Reich Marshall has ordered the setting up of a Planning Office with the Commissioner-General for Armament Tasks and War Production.

This measure brings into line the various planning authorities of the War Industry.

The jurisdiction of the Reich Marshall of the Greater German Reich, in his capacity as Delegate for the Four-Year-Plan, is not affected by this new arrangement. Nor is the jurisdiction of the Reich Minister of Foreign Affairs for the foreign trade policy of the Reich and for preparing and conducting foreign trade negotiations affected.

2. Changes in Personnel

The title of the Speer Ministry was in consequence changed into the Ministry for Armaments and War Production and a number of personnel changes were made. The most important of these are:

1. Hans Kehrl, the chief of Main Department No. II in the Ministry of Economics was transferred from this ministry into the Speer Ministry and put in charge of Speer's new office for raw materials.

2. Dr. Friederich Walter Landfried, Sec'y of State in the Ministry of Economics was relieved of his duties in Dec. 1943 and was succeeded by Dr. Franz Hayler, the leader of the National Group Trade.

3. Hans Kehrl's place in the Ministry of Economics was filled by Otto Ohlendorf, the chief manager of the National Group Trade.

These changes indicate even better than the wording of the Hitler Decree the meaning and the effect of the organizational changes: the complete decline of Funk and the rise of Speer to the control of all German economic controls. Landfried was responsible for all major economic decisions within the Funk Ministry. He is the author of most of the economic legislation since 1934. His replacement by Hayler signifies that Speer is not only satisfied with dubdueing Funk, but

that Speer desires his own representative in the Funk Ministry. Hayler Hayler as a SS Brigadefuhrer is the owner of the Munich retail firm F. Silberbauer. He is the bearer of the Blood Order of the Nazi party, which indicates that he participated in the November Putsch of 1923. He is leader of the National Group Trade, and is responsible for the economic exploitation of eastern occupied territories. He runs most of the trade corporations and associations set up in the two eastern commissariats. He has, by a decree of Nov. 1941, been given the monopoly for the supply of consumers' goods to all Germans within the Reich Commissariats. He organized for Speer the Arbeitsgemeinschaft Rostungshandel, (the organization of the armament trade,) that has now received the power and jurisdiction of a Main Committee.

Hayler is the ideal type of the Nazi-businessman, who will execute all orders that come from Speer.

Funk himself, born in 1892, was a newspaper editor of the Berliner Borsen Zeitung, the newspaper belonging to the family of Von Stuelpnagel. He has, during the first World War and after the first World War, represented exclusively interests of the German heavy industry.

Funk is a reactionary who joined the party in order to promote his interests as well as those of the group behind him. Speer, on the other hand, is the genuine Nazi enjoying the full confidence of Hitler and is Hitler's favorite city builder. He has worked to convert the German heavy industry and may be considered a technocratic monomaniac.

3. The Meaning of the Changes

The meaning of the changes in organization can be defined in the following way:

There is no question that Funk has been demoted and that Funk has been kicked upstairs to the so-called Central Planning Board which obviously has very limited functions. He has been compensated by more power in the finance and trade policy, so that the Minister of Finance now comes under his jurisdiction. Count Schwerinkrosigh, and his Secretary of State, F. Reinhardt have thus been fully subordinated to Funk. This increase in power means very little because the financing of the German war economy is today not a problem of major political importance. It is true of course, the power of the banks has increased

considerably, and that inflationary problems have made financial considerations more important, but power over the economy still rests with that agency which controls the allocation of materials, machinery, power, transportation and labor. All these powers are concentrated in Speer's hands

4. The Structure of the Central Controls

a. Under Göring as Delegate for the Four Year Plan, a Central Planning Office exists (Zentrale Planung). It is composed of:

Göring as the Delegate
Paul Körner, Secretary of State in the Four Year Plan Office
Erhard Milch, Secretary of State in the Air Ministry and Field Marshal
Walther Funk, Minister of Economics
Albert Speer, Minister for Armaments and War Production.

The functions of this committee will continue to be very circumscribed. Long-range planning is hardly possible in a period where economic decisions are forced upon Germany and speed is the essence of administration. Still it may be assumed that basic decisions (i.e. transfer of whole industries, etc.) may be reached in the Central Planning.

b. Speer, apart from other functions, operates in a dual capacity.

As Minister for Armaments and War Production, he is in charge of those factories and installations engaged in war production. The German newspapers asserted that Funk controlled 95,000, and Speer 90,000 establishments, though even the Funk-controlled sector was actually working for armaments production.1/

Speer is, however, also Commissioner General for Armament Tasks in the Four Year Plan, the title now being "for Armament Tasks and War Production." As such, as hasbeen mentioned in the report, his functions are to adapt the economy in sector's which are not directly under his control to the requirements of the war economy. As a

1/ Kolnische Zeitung September 9, 1943 News Digest, No. 1252 B4.

consequence, all decrees and rulings of Speer concerning Area e, the Regional Economic Offices, the Reichsvereinigungen, the Groups and Chambers, etc., are issued in his capacity as Commissioner General and not as Minister.

It is for this office that Goring created a Planning office (Planungsamt). The management of this office has been entrusted to the above mentioned Kehrl.

5. The organization of the Ministry for Armaments and War Production economy.

a. The Ministry is divided in a few administrative sections (comprising the Central Office, a Depot office, and an office for Economic and Financial matters), and the so-called Production Departments. A detailed breakdown of the Ministry's structure follows. Generally the functions of the Ministry are said to revolve around three things: coordination, production and liaison. Speer's liaison officer with other agencies especially with the Ministry of Economics is K. A. Hettlage of the Commerzbank.

The six production departments have been placed in charge of the Trade Groups in the National Group Industry and of the Artisan Guilds. The Groups become though they remain under the administrative supervision of Funk, agents of the Speer Ministry.

But not only the Groups but also the regional organs of the Economics and Food Ministries - namely the Regional Economic Offices and the Regional Farmers Association - are made subject to the Speer Ministry which thus controls all organs in the regional level.

So are all organs concerned with raw material control, a fact already expressed in Kehrl's appointment as chief of the department Raw Material. The Reichsvereinigung Coal has fully been put under Speer. 1/

b. On the Ministry's role in transportation control, see below, pp...

c. On the Ministry's role in the control of power, see below, pp...

1/ Deutsche Bergwerkszeitung Sept 23, 1943.

d. On the Ministry's role in the control of building construction see below pp...

e. Speer has also assumed control of labor by the appointment of a Reich Labor Supply Engineer (Reichsarbeitseinsatz Ingenieur), C. Friedrich, of Regional Labor Supply Engineers and Labor Supply Engineer for all plants employing 300 workers or more. A fuller discussion of this appointment will be found in the Chapter Labor Controls.

f. Hand in hand with the strengthening of the bureaucratic controls in the Speer Ministry, went an expansion of its self-governing sector. The Main Committees, divided into and composed of Special Committees, and the Industrial Rings have assumed greater powers and now completely overshadow the Groups and Chambers. A Case study on the operation of a Main Committee will be found on p... where the controls of the building economy are described.

g. The corporations in the Speer Ministry have also expanded. A description of their operation is to be found on pp.. of the report and is the chapter on Generators (see below p...)

6. The Organization on the Regional Level.

Quite important changes have been made and are being made on the regional level. It becomes increasingly clear that the Key political unit for the control of the economy is the Rüstungs Bezirk, the armament inspection which, in turn, coincides with the Wehrkreis, the corps area. An exception has been made for the regional jurisdiction of the Labor Supply Engineers.

As a consequence, all regional agents of Speer in his capacity as Minister and Inspector General for Water and Power, and Roads, operate in and for the area of an armament inspection. It may be expected that regional organs of the raw material allocation agencies will be adapted to the armament inspection, and a beginning has already been made in the Brick industry (see below...)

Since it is the production controls that are decisive in a war economy, the Wehrkreis has merged as the Key political unit.

The regional structure of the German economy is thus in a state of confusion.

The Gau principle operates in labor controls (Gau Labor Exchanges and Gau Labor Supply Commissars) - but not fully since the Regional Labor Supply Engineers do not use the Gau. It is not quite clear how their regional jurisdiction is determined. It is probable that it is the Economic District (Wirtschaftsbezirk).

The Gau principle operates in the chamber system -- but the chambers play but an insignificant role in the administration of the economy.

The Wirtschaftsbezirk principle prevails with the regional organs of the Ministries of Economics, Food and Agriculture and Forestry and that for the rationing of food and consumers goods. It operates still in large sectors of raw material control.

The Armament Inspection principle prevails in production controls generally, in the whole of the building economy, transporation and power and may extend into the sphere of raw material allocation. It is not, however, clear whether the regional organization of the Main Committees follows the Gau or the Armament Inspection.

Equally unclear is the relation between the Armament Commissions and the War Economy Staffs (see below p...).

7. Survey of the Reich Ministry for Armaments and War Production

Minister: Albert Speer
also: Inspector General for Water and Power;
Inspector General for Roads;
Commissioner General for Armament Tasks and War Production in the Four-Year-Plan;
Member of Control Planning Board;
Chief of the Organization Todt.

Secretary of State: Schulze-Fielitz

8

8. The Organization of the Ministry on the National Level

I. Bureaucratic Organization:

Central Office (Zentralamt) - Mayor of Nuremberg, Liebel

a) Office for the Organization of Transport (Dienststelle Fuer Transportordnung) Ing. Hoffman; deputy Min. Dir. Dr. Ottman

b) Attached to it is research staff under Prof. Tiessen

Armament Office (Ruestungsamt) - Wilhelm Voss (?) (Goering combine)

a) Office for Production Installations (Bewirtschaftungsstelle Fuer Fertigungseinrichtungen) - William Werner (Auto Union)

b) The Reich Labor Supply Engineer (Reichs Arbeitseinsatz Lingenieur) - Ing. G. Friedrich

c) Department Motorization (Amtsgruppe Motorisierung) Col. Holhaüer, Chief of the Division "Panzer und Motorisierung in the Heereswaffenamt."

Economic and Financial Matters - Dr. K. A. Hettlage (Commerzbank)

a) also liaison with Ministry of Economics and Speer's deputy for financial and managerial matters .

The following six departments are the Production Departments:

Raw Materials (Roh-und Grundstoffe) - Hans Kehrl (PHRIX combine)

Armament Supplies (Ruestungslieferungsamt)-Dr. Walther Schieber (German Cellwood and Rayon Ring)
deputy - William Werner (Auto Union)

Engineering in Relation to Finished Combat Materials (Technik Fuer Ruestungsendfertigung) - Saur

Production of Consumption Goods -Ing. Seebauer.

Building - Stobbe-Dethleffsen

Power Supply (Amt Fuer Energieplanung) - Schulze-Fielitz

a) coordinating section "Power" in Office of Inspector General for Water and Power.

b) Special Deputy for Saving of Power and Director of the Office for Power(Sonderbeauftragter fuer Energieeinsparung und Leiter Der Energiestelle) possibly abolished. Ing.Seebauer

II. Self Government Sector

Main Committees (Hauptausschuesse)1/ (divided into Special Committees (Sonderausschuesse)

1. Armed Forces and General Equipment (Wehrmacht und Allgemeines Geraet) - Wilhelm Zangen(Mannesmann)

2. Armored Vehicles and Tractors(Panzerwagen und Zugmaschinen)- Ing. Walter Rohland(Aus. Thyssen Huette) cooperating with: Armored Vehicle Commission (Panzerkommission) - Dr. Porsche and Guderian

3. Shipbuilding (Schiffsbau)- State Committee Rudolf Blohm (Blohm und Voss)

1/ Only those which could be identified

a) Special Committee (Sonderausschuss) Merchant Shipping - Wry. William Scholz (Deutsche Werft).

4. Munitions (Munition) - Prof. Dr. Albert Wolff (Deutsche Waffen und Munitionsfabriuen)

5. Aircraft Hulls (Flugzeugzellen) - Try Karl Frydag (Henschel Flugzeugwerke A. G.)

6. Aircraft Engines (Flugzeugtriebwerke) - ?

7. Aircraft Equipment (Flugzeugausrnestung) - ?

8. Engines (Triebwerke) - Dr William Werner (Auto U nion)

9. Machines (Maschinen) - Karl Lange (Economic Group, Machine Industry)

10. Electrical Installations (Elektrotechnische Anlagen) is also Industrierins - Dr. Luesehen (Siemens combine)

11. Rail Vehicles (Schienenfahrzeuge) - Gerhard Degenkolb.

12. Wood Construction and Barracks (Holzkonstruktion und Barracken) - ?

13. Building Construction (Bau) Try Bruno Gaetner (Wayss and Freytag)

14. Power and Explosives (Pulver und Sprengmaterial)

15. Committee for Armament Trade (Arbeitsgemeinscheft Runstungshandel) - with rights equal to those of the Main Committees - consul Hommel (Hommelwerne) - Manager - Dr. Rohrendorf

III Corporations

1. Rustungskontor, limited liability company. manager: Dr. Hettlage, (Commerzbank)

2. Generatorkraft A.G. - founded primarily by 1, but owned by the timber industry (50%), the Reich (22.5%), the coal industry (10%), the peat and oil industry (17.5%).

3. Festkraftstoff A.G. - founded by 1 and 2.

4. Heeres - Ruestungskredit A.G.

The Organization of the Ministry on the Regional Level

I Bureaucratic Sector

1. The Armament Inspectors (Rustungsinspekteure)

2. Corps Area Deputies (13?) (Wehrkreisbeauftragte)

3. Regional or Gau Construction Deputies (Bezirks und Gaubeauftragte) for area of armament inspection.

4. Power Deputies (Beauftragte Fuer Energiebezirke).

5. Regional Labor Supply Engineers 30 (Bezirksarbeitseinsatzingenieure).

6. Field Offices of the Armament Office (Aussenstellen Des Rustungsamtes) possibly merged with 1.

7. Transport Main Commissions (32) (Transporthaupt Kommissionen) and Transport Deputies with the Groups.

II Self Government Sector

1. Field offices of the Reichsvereinigung found at
   Dusseldorf
   Saarbruecken
   Berlin
   Gleiwitz
   Vienna
   Prague
   Cracow

2. Armament Chairmen (Rustungs Obermaenner) of the Main Committees for each area of an armament inspection

III From the Ministry of Economics

3. The Regional Economic offices (Landeswirtschaftsamter)

Regional Peasant Organization (Landesbauernschaften)

Gau Economic Chambers (Gauwirtschaftskammern)

The regional organization of the Groups

IV Coordination in the Regional Level

The Armament Commissions (Rüstungskommissionen)

8. Control of Building Construction

The increased powers given to engineers led to a complete reorganization of the controls over Building Construction. The powers of the Commissioner General under the Four-Year-Plan for Building Construction (GBBAU) were severely curtailed and, as a consequence, Speer resigned this position, while those of the Main Committee Construction were increased. As a further consequence the distinction between industrial building entrepreneurs (organized in the Economic Group Building) and the handicraft builders (organized in the Reich Guild) became meaningless and the two organizations were transformed into mere agents of the Main Committee.

The new structure is as follows:

Committees (Arbeitsausschuesse) operate directly on each larger construction project, supervising it and directing the utilization of labor, machinery and materials. These committees are composed of experts who have knowledge of the local differences.

Above them stand the Confidential Agents (Bezirkliche Vertrauensmaenner) for the area of each armament inspection and for each quotaclaimant (i.e. the army, airforce, Organization Todt, railways, postal administration, etc.) if the quota claimant has several projects in the area of the armament inspection. The Confidential Agents coordinate the various projects of the quota claimants and supervise the work of the Committees.

The Confidential Agents are, in turn, supervised by the Special Committees (Sonderausschuesse), centrally organized for the Reich territory and coordinated in the Main Committee Building. (Hauptausschuss Bau)

This Main Committee consists of the directors of the Special Committees and is operating through 16 offices (Arbeitsstaebe) dealing with General Questions, Machinery, Labor Supply, Technology, Improvement of Production, Standardization, Transportation, Administration and Organization, Stone and Earth, Timber Steel and Small Enterprises.

Regionally the Main Committee operates through Regional and Gau Deputies (Bezirks-und-Gaubeauftragte) for the area of each armament inspection. They also coordinate the activities of the Confidential Agents under the Special Committees.

The Main Committee, the Special Committee and the regional deputies use the existing machinery of the Economic Group and of the Reich Guild so that the establishment of a new machinery is avoided. Research in the files of the building industry is concentrated in a Building Commission (Baukommissionen). The Office Building under Stobbe-Detaloffsen directs centrally the bureaucratic and self-governing organization of the Speer Ministry.

There is a clear-cut division of labor between the Main Committee and Commissioner General Building (CBBau). The latter is the government Planning Office which collects the requests of the quota claimants, establishes priorities for their requests and allocates raw materials to the quota claimants (global quotas). All tasks of construction proper in the widest sense are concentrated in the self-government organ, namely, the Main Committee.

Transportation Controls

a. A Bureau for the Organization of Transport (Büro fuer Transportordnung) was established in the Speer Ministry jointly by Speer, Funk and the Reich Transport Ministry and directed by Dr. Doerr.

Speer's increased power over production led by necessity to a strengthening of his influence over the transportation sector. The Bureau was thus transformed into an Office for the Organization of Transport (Dienststelle fuer Transportordnung), and was incorporated into the Ministry's Cartel Office 1/ and charged with organizing an "effective" organization of transportation. It is directed by the Ministry's transport specialist Engineer Hoffman whose deputy is the ministerial director and transport specialist in the Ministry of Economics, Dr. Ottmann. Attached to it is a research staff (Arbeitsstab) under Professor Tiessen who is in charge of graphic presentation of most important supply routes.

The new Office operates through 32 Transport Main Commissions (Transporthauptkommissionen) 2/ organized after the model of the Main Committees. They authoritatively fix "marginal distances" (Grenzentfernugen) which must not be exceeded. Such maximum transport distances (Transporthoechstentfernungen) have already been fixed for all major commodities

1/ Koelnische Zeitung, Sept. 14, 1943.
2/ Deutsche Bergwerkszeitung, Oct. 8, 1943.

on the basis of research done by Tiessen's staff. In the Brewery industry, the Commission prohibited transport exceeding a distance of 250 kilometers for beer deliveries.

Transport Deputies (Verkehrsbevollmaechtigte) for each area of an armament inspection coordinate the activities of the transport facilities.

b. The conversion of vehicles to solid fuels and producer gas.

Dr. Speer has endeavored for a long time to compel the conversion of all liquid fuel vehicles to solid fuel or producer gas. However, before compulsory conversion could be decreed, adequate generators had to be designed, appropriate fuels had to be developed, and a system of distribution for solid fuel producer gas had to be planned.

A Central Office for Generators (Zentralstelle für Generatoren) was established in the Four-Year-Plan Office under state counsellor Dr. Schieber (manager: von Hirschfeld) to fulfill the above-mentioned tasks. A Speer decree, issued jointly with the Ministry of Transport, gave subsidies to owners of trucks and cars in order to facilitate the conversion. 1/ In August, 1942, 2/ new traffic regulations for generator vehicles were enacted. Research was carried out to compare the efficiency of solid fuels with liquid fuels. 3/

Since April 1, 1943, solid fuels were only delivered against cards (Festkraftstoffkarte) though no actual rationing was introduced. 4/ The owner of such a card 5/ is entitled to purchase fuels.

On October 4, 1943 Speer as Commissioner General for Armament Tasks in the Four-Year-Plan ordered the conversion of all liquid driven vehicles. 6/ He stated that compulsion was now practised for passenger cars because the weight of the generator had been reduced to a mere 35 kilograms.

1/ Hamburger Fremdenblatt February 11, 1942
2/ Decree of August 5, 1942, Reichsgesetzblatt, part I, P. 495
3/ See W. Cumz "Feste Kraftstoffe im Verkehrswesen in Der Vierjahresplan" 1942 No. 7
4/ Deutsche Allgemeine Zeitung, March 20 and 24, 1943
5/ Two exist: one for solid fuels rich in tars (timber, peat and lignite) and one for solid fuels poor in tar (anthracite and coke).
6/ Neueste Nachrichten, October 20, 1942

The production of generators is technically controlled by the Generatorkraft AG, a corporation under the Speer Ministry, founded by the Rüstungskontor and owned by the timber industry (50%); the Reich (22.5%), the coal industry (10%) and the peat and oil industries (17.5%). Generators are, of course, produced by private industry and many industrial combines have founded special corporations for their manufacture.1/

The production of solid fuels for generators is carried out by many corporations, most of which have founded other special corporations. 2/ Control of production is entrusted to a Sphere of Steering (Lenkungsbereich) directed by the Festkraftstoff AG, a corporation in the Speer Ministry, founded by the Rustungskontor and the Generatorkraft.

This corporation has also organised the distributing system: A chain of "filling stations" has been set up in Germany.

The Central Office for Generators continues to determine

a) the kind of generator to be installed,

b) the kind of solid fuel to be used.

1/ i.e. Demag Fahrzeugwerke, GMBH, Berlin-Falkensee
Hugo Stinnes, Generator GMBH, Mühlheim

2/ namely: Energit, Festtreibstoff GMBH)
Carbozit GMBH) Berlin
Xylit ")
Prolignit AG, Cologne

Pressforschungs GmBH, Munich (Research)
Detog, Deutsche Torfverwertung GMBH, Berlin

Power Planning

The control of power is divided between:

1. The National Board for Electricity (Reichsstelle Elektrizitat)

2. The Inspector General for Water and Power (Speer) and

3. The Office for the Planning of Power (Amt für Energieplanung) in the Speer Ministry.

Though two and three retain a nominal identity, they are practically merged, and the chief of the Section "Power" in the Inspector General's Office is also the head of the corresponding department in the Speer Ministry.

The National Board Electricity, has since the decree of September 3, 1939,1/ the function of a Reichslastverteiler, primarily engaged in expanding and improving the grid system. To this have been added the repair of damage to power stations and the operation of old or shut-down power plants.

The actual planning of production and of consumption, however, rests exclusively with the Inspector General2/ and thus with the Speer Ministry. He operates through the Office for the Planning of Power, composed of outstanding experts in the field of power, and the Main and Special Committees primarily engaged in the production of power plants and cables.

For purposes of bureaucratic control, Germany is divided into Power Districts (Energiebezirke); thirteen of these seem to exist and are directed by deputies (Beauftragte) 3/ They are in turn coordinated by Speer's Special Deputy for the Saving of Power (Sonderbeauftragter für Energieplanung), Engineer Seebauer. Seebauer also coordinates the Power Engineers who must be employed by all plants consuming more than 5,000 tons of coal, or 200,000 KWH of electricity, or 100,000 cbm of gas.

1/ Reichsgesetzblatt, Part I, p. 1607
2/ Führer edict, August 6, 1943, Deutsche Bergwerkszeitung, Sept.18,1943
3/ Identified are: III Berlin - Dr. Schulz
VI-a Western Germany - Eng. Henke
VI-b Western Germany - Stadtrat Vaupel, Düsseldorf
V Weser-Ems - Schultz

Air Warfare and Economic Controls

Air warfare continually disrupts the operation of economic controls, causes incessant dislocations and thus makes the shifting of industrial plants necessary. The destruction of stockpiles necessitates the accumulation of decentralized reserves and also the shifting of stock reserve from one part of the country to another. The ultimate authority for the solution of these problems rests with the Speer Ministry.1/

a. In industry.

The transfer of plants, according to a Speer decree is done by a transfer Order (Verlegungsbescheid) by the quota claimants, i.e. for instance the armament offices (Waffenamter) of army, navy, airforce, the Reichsbahn, etc., in agreement with the Speer Ministry. This order determines the firm which has to transfer capacity and the receiving firm which is under obligation speedily to create additional capacity (Ausweichkapazitat). The receiving firm may be indemnified according to the Reichsleistungsgesetz.2/

b. In commerce

The legal basis is the decree of the Minister of Economics of June 5, 1943 and a ruling of the National Group 'Trade' of June 11, 1943 3/ creating the Emergency Staffs (Einsatzstabe) of Trade. It is these staffs which prepare the accumulation of reserves and the establishment

1/ Volkischer Beobachter (Nord.) October 19, 1943.
2/ This statute, enacted on September 1, 1939 (Reichsgesetzblatt part I, p. 1645) is the legal basis for all transfers of goods and real estate necessitated by the war and requested by the proper authorities (the so-called Bedarfsstellen).
3/ Die Deutsche Volkswirtschaft (1943) No. 26, p. 795.

of additional storage capacities (Ausweichslager) and the traveling shops (Fliegende Verkaufsstellen) in conjunction with the Economic and Food offices. Stocks must be registered with the regional organizations of retail and wholesale trade which, in turn, supply the staffs with the necessary information. The staffs also survey air-raid damages and report it to the Regional Economic Offices. They are also authorized to install bombed-out merchants in the premises and businesses of others. If in a given area, no trade merchant trading inspecific commodities be available, other traders may be designated and compelled to deal in this commodity.

The staffs are divided into a Main Emergency Staff (Haupteinsatzstab), County Emergency Staffs (Kreiseinsatzstaebe) and local staffs which cooperate with the municipalities.

c. Banks.

For the protection of the depositors after air raids, the following regulations have been enacted.

1. The depositor can claim his deposit at another place and form another credit institution.

2. Generally, the depositor must apply to a credit institution belonging to the same group.

3. But if at his new residence a credit institute of the same group does not exist, any other credit institution must honor his deposit.

4. Payments are to be made:

a) to depositors who are victims of air raid.
b) to the owner of the account or his nearest relatives.
c) against the savings books.
d) only to a certain amount
e) only within 3 months after change of residence.

Detailed regulations provide for the liability arising from fraudulous or negligent practices.

12. Other Changes in the Economic Controls

A. Raw Material Control

a. House furnishings made of iron and steel can now only be supplied against RTE checks and, for smaller amounts, against RTE stamps. RTE stands for Reichsstelle Fuer Technische Erzeugnisse, the National Board for Technical Products. The experience of textile and iron rationing has thus been utilized.1/

b. In the Iron and Metal Industry the system of production prohibitions has been replaced by that of the Werkstoffeinsatzlisten, that is, of lists prescribing what kind of material must be used in the manufacture of goods.2/

Heretofore, a large number of prohibitions had been issued, but the manufacturers were never positively told what substitute materials were to be used. Twenty-four such lists have already been published and approved by the Arbeitsstab Fuer Metallumstellung (see p...). The new system will be introduced in additional fields.

c. In the Brick Industry, 21 brick distributing offices now exist instead of 29. The areas of the new offices coincide with that of an armament inspection, and, therefore, with the Regional Construction Deputies.3/

d. In the Shoe Industry, the Shoe Committee (Gemeinschaft Schuhe), the national compulsory peak control has established four Bewirtschaftungsstellen which are the Trade Groups for shoe production and shoe trade.4/

1/ Deutsche Allgemeine Zeitung September 20, 1943.
2/ Ruling of the National Board Iron and Metals in Die Deutsche Volkswirtschaft 1943 No. 26 p. 797.
3/ Muenchner Neueste Nachrichten, October 22, 1943.
4/ Reichsanzeiger No. 87 April 7, 1943. Quoted by Deutsche Allgemeine Zeitung April 10, 1943.

B. Price Control

The Price Commissioner has authorized the Community Tube Glas, the national cartel for all tube glas producers, to fix the prices for their products excepting tube glas for laboratories. The Price Commissioner must be informed and retain the right to deviate from the cartel prices.1/

C. Controls of Commerce

The Committee for Armaments Trade (Ruestungshandel) has obtained the powers of a Main Committee. The closer incorporation of the trade organizations into the Speer Ministry was necessitated by air warfare. The Committee has been charged with maintaining adequate stockpiles at wholesalers and retailers, in order to satisfy the "emergency needs" (Stossbedarf) caused by aerial destruction.2/ Engineers have been added to the Committee, and understandings have been reached between the Committee and the various Main Committees.

D. Groups

1. Changes in the National Group "Industry"

No. 27 Clothing Industry - manager: Wilhelm Borries.

No. 15 Stone and Earth - Carl Peters (Zannawerk AG)

No. 19 Ceramics - Friedrich Scheid

No. 17 Timber Processing - Dr. Heinrich Goebels

Ship building - Director Merker and a presidium.

No. 8 Motor Vehicles - Egger (Büssing)

The National Group Trade has charged the department 'Foreign Trade' in the Economic Group 'Wholesale and Foreign Trade'

with all questions relating to Foreign Trade. The chief of the department 'Foreign Trade', Freiherr von Schröder (of the firm Staudt and Co., Berlin) is assisted by an advisory council.1/

2. All Groups must execute orders by Speer, but remain under the administrative supervision of Funk.

E. Chambers

The following changes have been made:

1. The Gau Economic Chamber Berlin - Brandenburg has been divided into:

the Gau Economic Chamber, Berlin under Prof. Dr. Hunke, a pure Nazi businessman, editor of the Deutsche Volkswirtschaft, and, since November 1943, a member of the board of the Deutsche Bank.

the Gau Economic Chamber, Brandenburg under Dr. ing. Zschintzsch, president of the Markische Elektrizitatswerke.

the Economic Chamber Kottbus has been dissolved.

Gau Economic Chamber Steiermark - president Dr. Oskarkoppitsch, Graz.

Gau Economic Chamber Duisburg - president Dr. Welker, who also directs the Economic Chamber Duisburg

Gau Economic Chamber Wartheland - president Dr. Johannes Scholz

Gau Economic Chamber Niederschlesien - President Kuno Artur Freiher von Gregory

Gau Economic Chamber Vienna - president Dr. H. C. Philipp von Schoeller.

1/ Berliner Boersen Zeitung, September 30, 1943.

2. According to a new Speer decree1/ of November 1943, Speer is authorized to issue orders to the Gau Economic Chambers though they remain under the administrative supervision of the Minister of Economics.

The power of the Gau Economic advisers in the Chambers has been somewhat strengthened. An agreement between Bormann andFunk compels the chamber presidents to invite the advisers to all "important deliberations" 2/

F. Cartels

The "rationalization"of the cartels continues at full speed.

According to Hans Kehrl, 3/ 90% of the existing 2200 cartels will be siddolved "The cartel period is over" he said. National Socialism, he continued, cannot be "built upon" these organizations motivated by selfish interests.

The dissolution of the old cartels, however, goes hand in hand with the establishment of new national cartels, and the transfer of cartelfunctions to the Groups on the basis of the decree of May 20, 1943.

The following new cartels decree mentioning:

1. Erdölgeräteverband, Berlin (Mineral Oil Equipment Cartel).
2. The dissolution of all cartels in the Porcelain Industry was followed by the establishment of two national cartels, namely:

   the Gemeinschaft Verbrauchskeramik, comprising all ceramic for household purposes and of an ornamental nature.

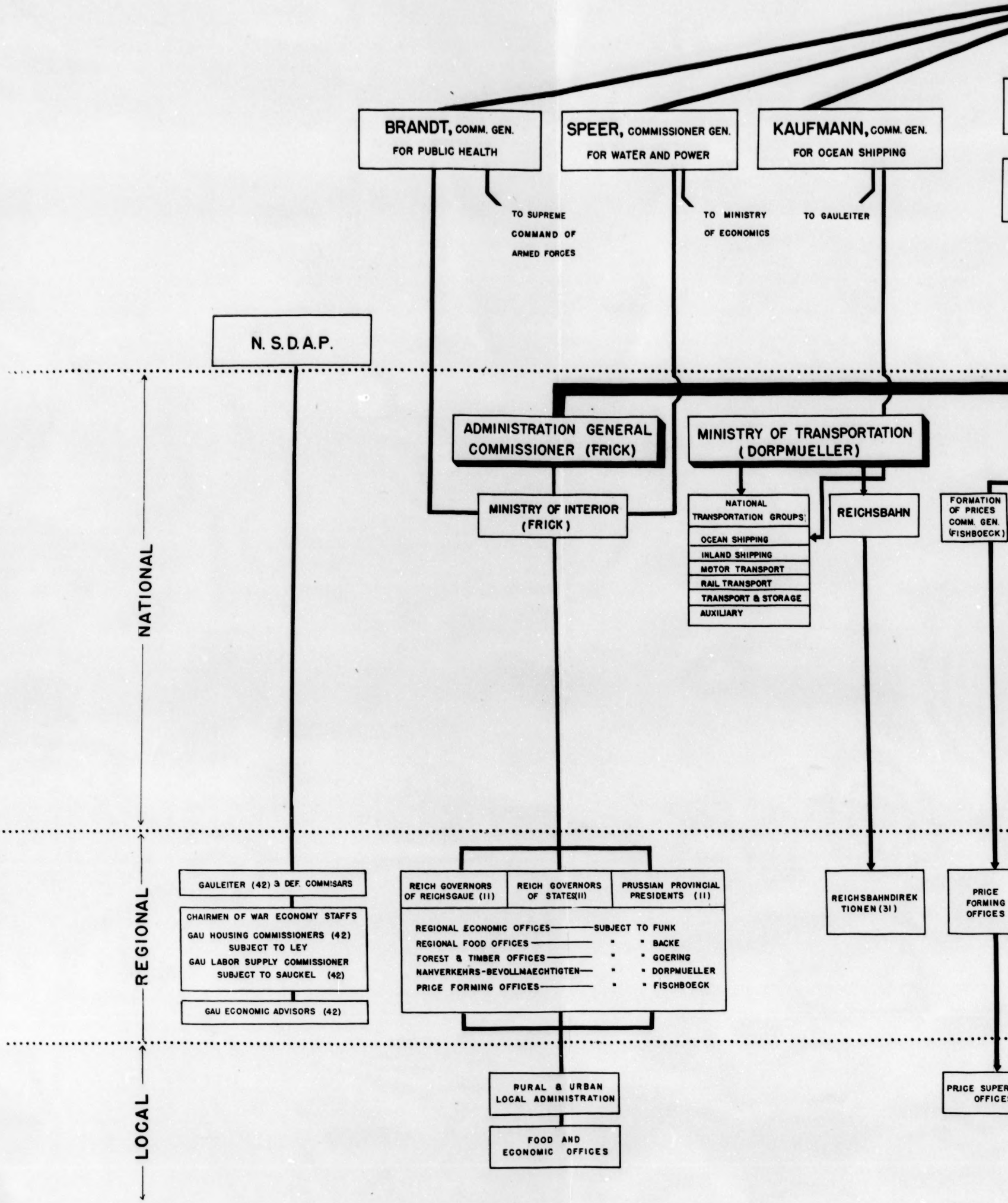
   the Gemeinschaft Sanitatskeramik for sanitary purposes, also stoves, plates and printing materials.

1/ News Digest No. 1291 B3
2/ Deutsche Allgemeine Zeitung, September 18, 1943
3/ Berliner Borsen Zeitung August 31, 1943

3. The Gemeinschaft Elektrische Lampen supercedes all electric bulb cartels and now comprises all producers. The charter provides that the Osram corporation must be represented in all committees and disposes of one third of all votes. 1/

1/ Münchner Neueste Nachrichten October 28, 1943

Due to its large size, the following document has been filmed in segments. The order of the segments is as follows: left to right, top to bottom.


BRANDT, COMM. GEN. FOR PUBLIC HEALTH
SPEER, COMMISSIONER GEN. FOR WATER AND POWER
KAUFMANN, COMM. GEN. FOR OCEAN SHIPPING
TO SUPREME COMMAND OF ARMED FORCES
TO MINISTRY OF ECONOMICS
TO GAULEITER
N. S. D. A. P.
ADMINISTRATION GENERAL COMMISSIONER (FRICK)
MINISTRY OF TRANSPORTATION (DORPMUELLER)
MINISTRY OF INTERIOR (FRICK)
NATIONAL TRANSPORTATION GROUPS:
OCEAN SHIPPING
INLAND SHIPPING
MOTOR TRANSPORT
RAIL TRANSPORT
TRANSPORT & STORAGE
AUXILIARY
REICHSBAHN
FORMATION OF PRICES COMM. GEN. (FISHBOECK)
NATIONAL
REGIONAL
LOCAL
GAULEITER (42) & DEF. COMMISARS
CHAIRMEN OF WAR ECONOMY STAFFS
GAU HOUSING COMMISSIONERS (42) SUBJECT TO LEY
GAU LABOR SUPPLY COMMISSIONER SUBJECT TO SAUCKEL (42)
GAU ECONOMIC ADVISORS (42)
REICH GOVERNORS OF REICHSGAUE (11)
REICH GOVERNORS OF STATES(11)
PRUSSIAN PROVINCIAL PRESIDENTS (11)
REGIONAL ECONOMIC OFFICES——SUBJECT TO FUNK
REGIONAL FOOD OFFICES—— " " BACKE
FOREST & TIMBER OFFICES—— " " GOERING
NAHVERKEHRS-BEVOLLMAECHTIGTEN— " " DORPMUELLER
PRICE FORMING OFFICES—— " " FISCHBOECK
REICHSBAHNDIREKTIONEN (31)
PRICE FORMING OFFICES
RURAL & URBAN LOCAL ADMINISTRATION
FOOD AND ECONOMIC OFFICES
PRICE SUPER OFFICES

HITLER

FOUR YEAR PLAN DELEGATE (GOERING)

MINISTERIAL COUNCIL FOR DEFENSE OF REICH

WERLIN, INSPECTOR GEN. FOR MOTOR TRANSPORTATION

TO MOTOR TRANSPORT GROUP

LEY, COMMISSIONER GEN. FOR HOUSING

TO GAULEITER

SPEER, INSPECTOR GEN. FOR ROADS

TO ARMY ORGANIZATION (TODT)

FOUR YEAR PLAN OFFICE (KOERNER)

DEPARTMENTS & COMMISSIONERS GENERAL:

- MOTOR VEHICLE .....KUHN
- TRANSPORTATION IN EAST.....KUHN
- ARMAMENT TASKS.....SPEER
- SPECIAL PROBLEMS.....SPEER
- POWER.....SEEBAUER
- MINING PRODUCTION INCREASE .....WALTER
- PETROLEUM PRODUCTION INCREASE .....BENZ
- MINERAL OILS.....RAAB
- TECHNICAL COMMUNICATION FELLGIEBEL

BUILDING CONSTRUCTION COMM. GEN. (SPEER)

EXAMINING OFFICE FOR LARGE SCALE CONSTRUCTION PROJECTS

LABOR SUPPLY COMM. GEN. (SAUCKEL)

AGRICULTURAL LABOR PEUCKERT

MINISTRY OF LABOR (SELDTE)

I | II | III | IV | V

REICH FOREST MASTER (GOERING)

REICHSTELLE (1)

MINISTRY FOR FOOD & AGRICULTURE (BACKE)

FOOD ESTATE

REICHSTELLEN (5)

GENERAL COMMISSIONER FOR ECONOM

MINISTRY OF ECO

STEERING SPHERES (22)

NATIONAL COMMISSIONERS (16)

REICHSVEREINIGUNGEN (COAL, IRON, SHOES)

REICHSTELLEN

TR

REGIONAL DEPUTIES OF COMMISSIONER FOR BUILDING CONSTRUCTION

CONFIDENTIAL AGENTS

NATIONAL (30) AND SPECIAL TRUSTEES OF LABOR

REGIONAL LABOR EXCHANGES (30)

LABOR EXCHANGES

FOREST & TIMBER OFFICES

FOREST CARTELS

TIMBER PRODUCERS

REGIONAL FOOD OFFICES (30)

DEPT. (B) | DEP'T (A)

FOOD OFFICES

AGRICULTURAL CARTELS (HAUPTVEREINIGUNGEN)

AGRICULTURAL PRODUCERS

REGIONAL ECONOMIC OFFICES (30)

ECONOMIC OFFICES

REGIONAL ORGANIZATION OF GROUPS (BEWIRTSCHAFTUNGSSTELL

CARTELS

ENTREPRENE

HITLER

AUFMANN, COMM. GEN. FOR OCEAN SHIPPING

TO GAULEITER

FOUR YEAR PLAN DELEGATE (GOERING)

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TO MOTOR TRANSPORT GROUP

LEY, COMMISSIONER GEN. FOR HOUSING

TO GAULEITER

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TO ARMY ORGANIZATION (TODT)

F TRANSPORTATION MUELLER)

ROUPS

RT

ORAGE

REICHSBAHN

REICHSBAHNDIREKTIONEN (31)

FOUR YEAR PLAN OFFICE (KOERNER)

FORMATION OF PRICES COMM. GEN. (FISHBOECK)

PRICE FORMING OFFICES

PRICE SUPERVISING OFFICES

DEPARTMENTS & COMMISSIONERS GENERAL:

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NATIONAL (30) AND SPECIAL TRUSTEES OF LABOR

LABOR EXCHANGES

MINISTRY OF LABOR (SELDTE)

I II III IV V

REGIONAL LABOR EXCHANGES (30)

REICH FOREST MASTER (GOERING)

REICHSTELLE (1)

FOREST & TIMBER OFFICES

FOREST CARTELS

TIMBER PRODUCERS

GENERAL

MINISTRY FOR FOOD & AGRICULTURE (BACKE)

FOOD ESTATE

REICHSTELLEN (5)

REGIONAL FOOD OFFICES (30)

DEPT. (B)

DEP'T (A)

FOOD OFFICES

AGRICULTURAL CARTELS (HAUPTVEREINIGUNGEN)

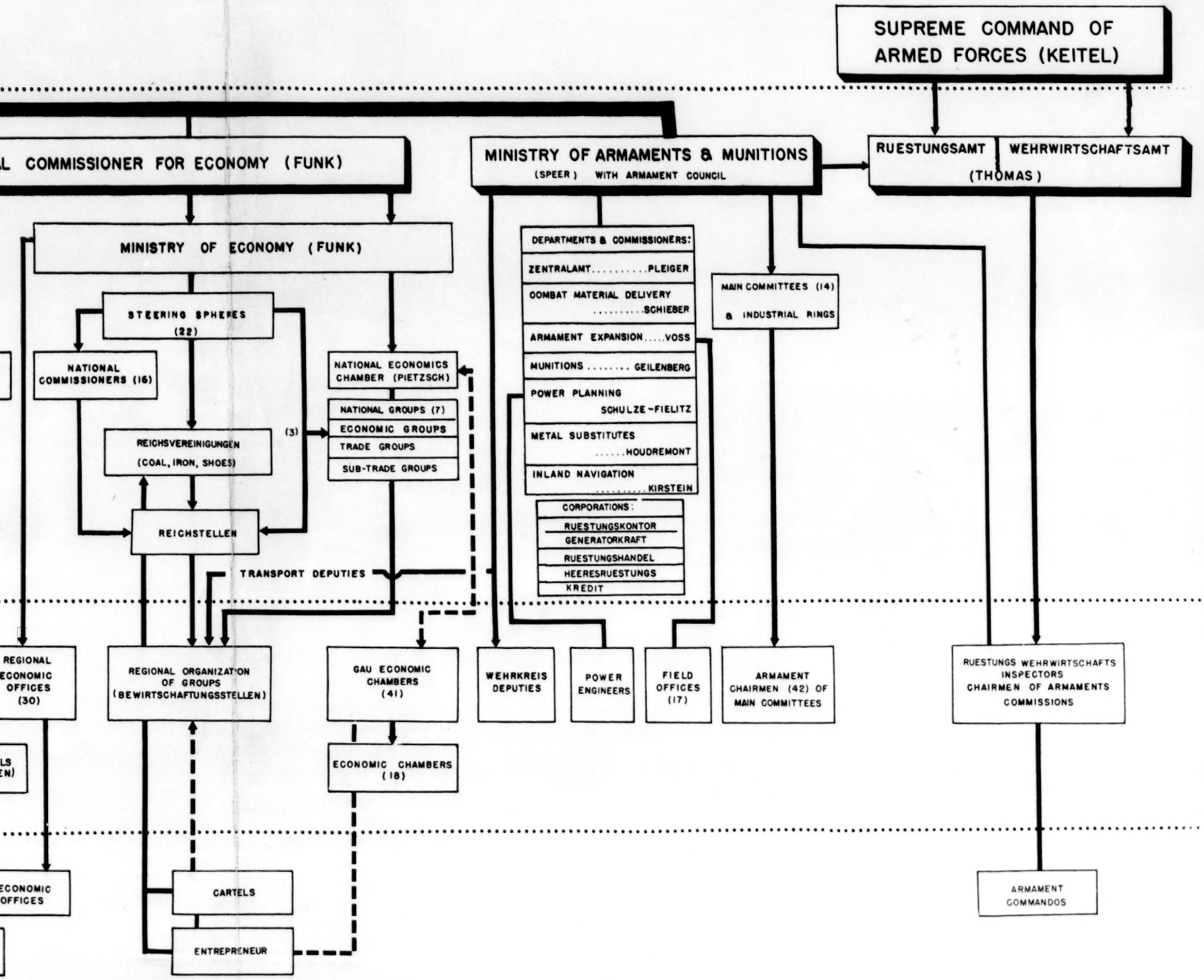
AGRICULTURAL PRODUCERS

SIMPLIFIED CHART OF

GERMAN ECONOMIC CONTROLS - MAY, 1943

TO BE SUPPLEMENTED BY CHART SHOWING

COOPERATION IN REGIONAL LEVEL



A

The Institutions

I. Government Institutions

A. The Ministry of Armaments and Munitions

1. Though the Ministry of Armaments and Munitions is headed by a civilian, namely Hitler's favorite city builder, Albert Speer, the Ministry must properly be classified as a military institution. Its functions consist exclusively of the control of the sector of the German economy that is concerned with the manufacture and distribution of combat material in the widest sense. The Ministry achieved its predominant position in the spring of 1942 when, under the impact of the defeat suffered in Russia, a reorganization of the German economy was undertaken. Speer also holds the positions of Commissioner General for Armament Tasks in the Four Year Plan Office, of an Inspector General for Water and Energy, of an Inspector General for Roads and Commissioner General for the Regulation of the Building Economy. 1/

Full data on the organization of the Ministry for Armaments and Munitions are not available. The following facts, however, have emerged.

In May 1942, the Wehrwirtschafts- und Ruestungsamt (Office for War Economy and Armaments) in the Supreme Command of the Armed Forces was divided into two sections. Both remained as before under General George Thomas. The Ruestungsamt, however, is now subordinated to and incorporated into the Speer Ministry which in this way assumed control of the Armament Inspections and Armament Commandos 2/ and also obtained a highly developed central machinery for the control of armament production.

The Secretary of State to Speer is Günther Schulze-Fielitz, who is also the director of the Central Department of the Inspector General for Roads and directs the Main Department "IV" (Technics) in the Ministry for the Occupied Eastern Territories. Speer is assisted by an Armament Council which acts exclusively in an advisory capacity. The Armament Council is composed of 5 high officers who possess considerable experience in economic organization, namely Milch, Fromm, Witzell, Thomas, and Loeb. It is strengthened by the addition of 8 industrialists, namely Buecher of the General Electric, Poensgen and Voegler of the United Steel Trust, Roechling of the Roechling Combine, Roehnert and Pleiger of the Goering Combine, Zangen of the Mannesmann Combine, and Kessler e Siemens Combine. It is unlikely that the Armament

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1/ See below p.
2/ See below p. Der Deutsche Volkswirt, June 5, 1943, Microfilm No. 102.

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Council exeerts considerable influence because many of the industrial representatives have lost their leading positions within the self-government of German industry and new men have risen to powerful positions. It may thus be assumed that the Armament Council is merely an honorary institution.

2. The most important officials in the Ministry are often businessmen acting as consultants or directing departments.

The following departments have been identified:

a. the Zentralamt (Central Office) - chief: Paul Pleiger of the Goering combine and president of the Reichsvereinigung "Coal"; 1/

b. the Technisches Amt (Technological Office) - chief: chief mayor Liebel; 2/

c. the Ruestungslieferungsamt (Office for Delivery of Combat Material) - chief: state councillor Dr. Schieber of the Cellwool industry;

d. the office for Ruestungsausbau (Office for Expansion of Armament Production) - chief: Dr. Voss of the Goering combine. This office operates - as will be shown below - also through field offices;

e. the Amt fuer Energieplanung (Office for the Planning of Power) 3/ - chief: Schulze-Fielitz. The office is composed of 13 members coming from all important producers of electric power. It co-ordinates the work of the Inspector General for Water and Power and of the corresponding Main Committees, 4/ deals with the co-ordination of supply of electricity and gas for the whole war economy and operates through Energieingenieure (power engineers).

f. The Buero fuer Transportordnung 5/ is engaged in rationalizing transportation. Under it are Transporthauptkommissionen (Transport Main Commissions) to avoid long-distance and unnecessary transports for specific industries.

1/ Europakabel, January 8, 1943.
2/ Das Reich, June 20, 1943
3/ Established in the spring of 1943; see Hamburger Fremdenblatt, April 2, 1943.
4/ See below p.
5/ Frankfurter Zeitung, July 21, 1943; created in cooperation with the Ministry of Economics. On the regional deputies, see below, p.

3. The Ministry operates also through special deputies who are charged with the solution of specific problems. Two such deputies are known to exist:

a. On October 10, 1942, Speer appointed Government Councillor (ret.) F. Kirstein his Deputy for Inland Navigation for the purpose of coordinating the civilian and military demands with regard to the annexed and occupied territories. The appointment was made by Speer in his dual position: as Minister for Armaments and Munitions and as Commissioner General for Armament Tasks under the Four Year Plan. 1/

b. The Special Deputy for Metal Substitutes (Metallumstellung), the Krupp director Houdremont, is responsible for the coordination of all private, semi-public, and public agencies (cartels, groups, main committees, etc.) engaged in finding substitutes for scarce metals.

4. The Speer ministry has organized a number of corporations to which a number of important functions have been delegated. This constitutes an entirely new approach to the solution of the difficulties which the Nazi war economy is faced with. The shares of these corporations are either partly or fully held by private industry. The following corporations can be identified:

a. The Ruestungskontor, Limited Liability Company. The chairman of the corporation is the Generalreferent in the Ministry, Dr. Hettlage, who still is a member of the directorate of the Commerzbank. This corporation is a central clearing office for the allocation of steel to armament producers and its function will be discussed in the chapter dealing with the planning of production. 2/

b. The Generatorkraft AG, with a capital of 9 million marks. Half of the capital is owned by the Ruestungskontor; the other is owned by private timber industry. 3/ The function of this corporation is to finance the transformation of liquid-driven vehicles into producer-gas vehicles.

c. The Ministry is also responsible for the establishment of the Heeres-Ruestungskredit AG, by the Deutsche Industriebank for the administration of long-term credits to manufacturers of army equipment. 4/

d. The Arbeitsgemeinschaft Ruestungshandel (Working Community in the Armaments Trade) 5/ covering all trade groups interested in deliveries to the armaments industry, and charged with the same general tasks as the autonomous organs of industry previously existing. The decree in question characterizes the tasks of the "Arbeitsgemeinschaft Ruestungshandel" as follows: increase of the performance of the armament trade firms to the highest possible

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1/ See below p.
2/ See below p.
3/ Neues Diener Tagblatt, February 5, 1943.
4/ OSS Dispatch from London, May 26, 1943.
5/ Stockholm, Plain, July 19, 1943 quoting the Ostsee Zeitung, June 29, 1943 and Muenchner Neueste Nachrichten, February 5, 1943.

level; responsible cooperation in the planning of orders and their assignment to the most suitable and efficient firms; procurement of sufficient stocks and regulation of deliveries of armament materials, especially for urgent demand; procurement of manpower and transport facilities; close cooperation with the autonomous organs of industry and procurement centers in order to coordinate all questions subject to mutual discussion, especially in establishing delivery relations between the armament industry and trade, as well as between the procurement centers with the object of a mutual increase in armament potential; organization of an extensive exchange of experience between firms in the armament trade and transmission of the trade's experiences in the field of standardization to the interested autonomous organs in industry. This new organization comprises those groups which effect deliveries for armament production direct to the large public armament plants. These are principally the groups of the purchasing trade, such as iron and steel, tools, machines, metals, semi-manufactured metal products, technical articles, et cetera. The "Arbeitsgemeinschaft" has already begun to operate without creating a new organization, relying rather on the existing groups of the trade organization.

5. As important as is the central organization of the Ministry are the regional agents through which it operates. The coordination of economic controls in the regional level has been of the utmost concern to the Nazi regime. It is on this level that policies are executed and it is for this reason that integration of the various regional organs assumes prime importance. The coordination of all the Aussenstellen (field offices) of the Speer Ministry has, so far, not been fully achieved because the jurisdiction of the Wehrkreise (army districts) differs from the rest of the regional bodies. This problem will be discussed below. 1/

Within the Speer Ministry, the following regional agencies have been identified:

a. Wehrkreisbeauftragte (Army District Deputies) for each army district, consequently also in occupied Europe. They are to see to it that the Committees and Rings 2/ fulfill their tasks, that technical progress is made available to the armament factories. The Army District Deputies use for the execution of their tasks the Gau office for technology of the Nazi organization. 3/

b. The Office for Expansion of Armament Production maintains Aussenstellen (field offices) for each army district.

c. Transport Deputies of the Ministry are appointed with the Economic Groups and for Trade Groups to disentangle the transport problem. 4/

d. The Power Engineers have already been mentioned.

e. Baubevollmaechtigte (Building Construction Deputies) are strictly speaking the regional agents of Speer in his capacity as Commissioner General for Building Construction. They serve, however, at the same time, as the

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1/ P.
2/ See below pp.
3/ Der Deutsche Volkswirt, October 3, 1942.
4/ Das Reich, November 22, 1942.

regional agents of the Speer Ministry for all matters concerning building construction. The ruling No. 30 (September 14, 1942) 1/ of the Commissioner General for Building Construction which aimed at unifying the field offices of all agencies directed by Speer and transferred the Building Construction Deputies to the seats of the Armament Inspectors, (17). A ruling of August 4, 1943 put the Distributing Agencies for Bricks and stones under the Building Construction Deputies. The territory of the Distributing Agency was adapted to that of the 17 Deputies. 2/

f. The most important regional agents of the Speer Ministry are, however, the Armament Inspections and the Armament Commandos. Their structure will be discussed in the chapter dealing with the Supreme Command of the Armed Forces. 3/

6. The above organs of the Ministry may be called the "bureaucratic" pillar of the Ministry. The departments, the corporations, the regional agencies are direct bureaucratic organs, unbureaucratic as their form may be.

The bureaucratic pillar is, however, strengthened by the "self-government" pillar of the Ministry, represented by the Committees and Rings. Just as the Ministry of Economics operates through bureaucratic agents and through the self-government of industry (groups and chambers) so does the Speer Ministry reply on both methods of controls.

The establishment of the Committee and Rings was the outcome of the failure of the German control system which was becoming apparent during the winter 1941/42, that is under the impact of the defeat suffered on the Russian front. All efforts were then directed towards rationalizing the German war economy, that is to achieve higher output with a lesser investment of labor, machinery, and raw materials.

In order to achieve this aim the Speer Ministry established so-called Hauptausschuesse (Main Committees) and Industrieringe (Industrial Rings). The organizational principles underlying the German economic system were formerly determined by industrial branches and still are determined by them in so far as raw material control goes. The Main Committees and Rings, however, are determined by products (the tank, the diesel engine, the ball bearing, the rivet, etc.). If the finished product, e.g. a tank, is composed of a number of different parts, which are produced by several branches of industry, a Main Committee is established for it. 4/

If, however, an article is used in a number of industrial enterprises (for instance, a ball bearing is used in tanks and other products), then Industrial Rings are created. While a Main Committee thus embraces the industries manufacturing parts for a finished product, a Ring cuts across all

1/ Reichsanzeiger No. 217, September 16, 1942 quoted in Reichsverwaltungsblatt, Vol. 64, January 21, 1943.
2/ Deutsche Allgemeine Zeitung, August 11, 1943. On the function of the Distributing Agencies, see below, pp.
3/ See p.
4/ Frankfurter Zeitung, May 10, 1942

the industries that are using a specific article. According to Speer, this organization has been created 1/ in agreement with Goering, the Supreme Command of the Armed Forces, the Ministry of Economics, and several Commissioners General under the Four Year Plan, and is directed by his Ministry. Both Committees and Rings are composed exclusively of engineers and construction men and no lawyers, administrators, or financial experts are admitted.

The composition of these bodies has been considered as a proof that capitalism is dead in Germany and that the profit motive does not play any role. It may be wise, however, to remember that according to an investigation carried out under the auspices of W. Zangen, the leader of the National Group "Industry" and President of the Mannesmann Combine, 143 members of the directorates of 35 industrial corporations in the Ruhr District were composed as follows: 85 technicians, 47 merchants, and 11 jurists. 2/ It follows that engineers were and are predominant in the managing boards of German industrial corporations because the first generation capitalists always took care to give their sons a technical rather than a commercial education. Many of these men now sit in the Ausschusse and Ringe.

Fourteen Main Committees are operating at present, 3/ the most important of which is the Main Committee "Wehrmacht und allgemeines Gerast" headed by Zangen. 4/ This Main Committee deals with three functions - (1) armaments generally, (2) requirements of the armed forces in so far as they are identical with civilian requirements (spades, hammers, barracks) and (3) general principles of rationalization of armament production. Other Main Committees are for Munitions, Armed Vehicles, Powder and Dynamite, Shipbuilding, etc. Each of the Committees is headed by the most important industrialist in its field provided he has a technical education. For instance, the Committee Ship Construction is i.e. headed by State Councillor Rudolf Blohm, 5/ the well-known owner of the shipyard Blohm and Voss.

The 14 Main Committees are subdivided into 26 Special Committees (Sonderausschuesse); the Special Committees are in turn subdivided into 245 Working Committees (Arbeitsausschuesse). There is no information available on the number of Industrial Rings. The personnel of the Rings is, however, identical with that of the Main Committee. 6/

The aim of the Committees and Rings is to get the utmost out of production. It is these organizations that now discuss the technical aspects of armament orders with the representatives of the armed forces; that is,

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1/ Das Reich, April 19, 1942, Microfilm No. 19.
2/ Das Reich, January 10, 1943.
3/ There may be 15 now. The establishment of a Main Committee "Building" is reported by Die Zeitung (London) August 27, 1943.
4/ Frankfurter Zeitung, December 20, 1942 and Kolnische Zeitung, March 17, 1943.
5/ Hamburger Fremdenblatt, March 23, 1943.
6/ Frankfurter Zeitung, May 10, 1942.

especially with, as far as the army is concerned, the Chef der Heeresruestung und Befehlshaber des Ersatzheeres (Chef H und BdE) (the Chief of the Army Armaments and Commander of the Reserve Army,) and the corresponding agencies in the Navy and Air Force.

The Main Committees and Rings have also received a regional organization in order to enable the government to establish co-operation between the Speer Ministry, other ministries and industrial organizations on the regional level. The Chairmen of the Committees and Rings in the regional level are called Ruestungsobmaenner, Armament Chairmen, and are appointed to this position by Speer. Below them are Bezirksobmaenner.

The Committees and Rings have field offices in occupied territory. This follows from the speech of Major General Thoennissen, chief of the German Beschaffungsamt in France of September 1, 1942. 1/

B. The War Economy and Armament Office of the Supreme Command of the Armed Forces

1. Up to Hitler's access to power, all German armed forces were under the Reichswehr Ministry. The Nazis established in 1935 three separate service commands, an Army Command (Heeresleitung), a Navy Command (Marineleitung), and an Air Ministry. Co-ordination of the three services was achieved by the Reich War Ministry. In this War Ministry there existed an office called Wehrmachtamt 2/ composed of officers of all three services and charged with the unity of planning and command.

The decree of February 4, 1938 transformed the Wehrmachtsamt into the Oberkommando der Wehrmacht (OKW - Supreme Command of the Armed Forces). The ministries ceased to exist, their functions being fulfilled by the heads of the OKW and of the three services who rank as cabinet ministers and attend cabinet meetings.

1/ The document is to be found among the papers seized in Algiers. It mentions especially the Aussenstelle des Hauptausschusses III Panzer- und Zugmaschinen, that is the field office of the Main Committee III for Armored Vehicles and Tractors.

2/ Rehdans, Dombrowski, Kersten, Das Recht der Wehrmacht, supplement to the 2nd edition, Berlin, 1938, p. 75.

Within the thus constituted Supreme Command of the Armed Forces, an Amtsgruppe Wehrwirtschaftsstab (Office War Economy Staff) was established. It was transformed on November 22, 1939 1/ into the Wehrwirtschafts- und Ruestungsamt (abbreviated Wi Rue), the Office for War Economy and Armaments under General George Thomas. The functions of this office were considerably increased and it became fully responsible for the war sector of the German economy until the expansion of the Speer Ministry in the spring of 1942. 2/

It is divided into the following 4 departments:

a. Wehrwirtschaftliche Abteilung (War Economics Division)
b. Ruestungsabteilung (Armaments Division)
c. Raw Materials Division
d. Price and Contracts Examination Division

The Armaments Division is now under the Speer Ministry as has been mentioned before. The Price Control Division operates jointly with the Price Commissioner's Office which will be discussed later.

In addition to these four divisions, there exist a number of special agencies in the Wi Rue, such as:

the Wehrmacht Tire Office of the Wi Rue
the Inspector General for the Control of Raw Materials (Lieut. Gen. Witting);
the Deputy for Scrap and Old Materials in the Occupied Territories (Major Sehn);
the Wehrmacht Deputy with the Four Year Plan Office;
the Deputy for Oil in the South East, at Bukarest. 3/

It is not known whether the above mentioned agents of the Wi Rue come also under the jurisdiction of the Speer Ministry or whether they remain under the Wi Rue.

2. The most important organs of the Wi Rue are the Armament Inspectors (Ruestungsinspekteure) now under the jurisdiction of the Speer Ministry. They also serve, however, as War Economy Inspectors, under the Wi Rue. They are, in conjunction with the Committees and Rings, in charge of production of combat material, of scheduling and of contract letting. The Armament Inspectors also preside over the Armament Commissions, to be discussed below. 4/

1/ Heeres Verordnungsblatt, 21st year, No. 77, Part C, December 5, 1939.
2/ See above.
3/ Mitteilungsblatt des Wehrwirtschafts- und Ruestungsamtes im OKW, Year 7, No. 6, 7, and 9 (March 25, April 10 and May 10, 1942).
4/ See p.

3. The regional organization as of April 1942 is as follows:

Armament Inspection I Koenigsberg (Colonel Rueggemann)
Armament Inspection II Stettin (Admiral (Engineer) Packross)
Armament Command Schwerin
Armament Inspection III Berlin (Lt. Gen. Stieler v. Heydekampf)
Armament Command Berlin I
" " Berlin II
" " Berlin III
" " Berlin IV
" " Potsdam
" " Frankfort o. Oder
Armament Inspection IV Dresden (Lt. Gen. (Landwehr) Friedensburg)
Armament Command Dresden
" " Chemnitz
" " Leipzig
" " Halle
" " Reichenberg
Armament Inspection V Stuttgart (Col. Klett)
Armament Command Stuttgart
" " Ulm
" " Villingen
" " Strassburg
Armament Inspection VI Muenster (Col. Erdmann)
Armament Command Dortmund
" " Osnabrueck
" " Bielefeld
" " Koeln
" " Luedenscheid
" " Essen
Armament Inspection VII Munich (Maj. Gen. (Landwehr) Roesch)
Armament Command Munich
" " Augsburg
Armament Inspection VIII Breslau (Lt. Gen. Leykaut)
Armament Command Liegnitz
" " Kattowitz
Armament Inspection IX Kassel (Maj. Gen. (Engineer) Hillert)
Armament Command Kassel
" " Frankfort o. M.
" " Giessen
" " Eisenach
" " Weimar
Armament Inspection X Hamburg (Vice Admiral Aneker)
Armament Command Hamburg I
" " Hamburg II
" " Bremen
" " Kiel
Armament Inspection XI Hannover (Adm. Engineer Stieringer)
Armament Command Hannover
" " Magdeburg
" " Dessau
" " Braunschweig

Armament Inspection XII Wiesbaden (Lt. Gen. Lohmann)
- Armament Command Mannheim
- " " Koblenz
- " " Saarbruecken (field office Luxemburg)
- " " Metz

Armament Inspection XIII Nuernberg (Col. Landwehr Freiherr v. Greilsheim)
- Armament Command Nuernberg
- " " Wuerzburg
- " " Koburg
- " " Karlsbad

Armament Inspection XVII Vienna (Lt. Gen. Landwehr v. Gautier)
- Armament Command Vienna
- " " Moedling
- " " Linz

Armament Inspection XVIII Salzburg (Col. Becke)
- Armament Command Graz
- " " Innsbruck
- " " Klagenfurt

Armament Inspection XX Zoppot (Adm. Staehler)

Armement Inspection XXI Litzmannstadt (Col. Lebranft)
- Armament Command Litzmannstadt

Armament Inspection Prague (Maj. Gen. Landwehr Schuetze)
- Armament Command Prague
- " " Bruenn

Armament Inspection in the Government General (Lt. Gen. Schindler)
- Armament Command Cracow
- " " Varsaw (field office Radom)
- " " Lemberg

Armament Inspection Ostland (Maj. Gen. Janssen)
- Armament Command Riga
- " " Kauen
- " " Minsk
- " " Reval

with a number of field offices

Armament Inspection Ukraine
- Armament Command Schepetovke
- " " Kiev
- " " Dniepropetrovsk

with a number of field offices

War Economy Staff Denmark - Copenhagen (Captain (naval) Dr. Forstmann)

War Economy Staff Norway (Lt. Gen. Wintzer)

Economic officers (WO) at
- Bergen
- Trondheim
- Tromsoe
- Oslo
- Kristiansund
- Stavanger
- Lillehammer
- Kirkener
- Narwik

Armament Inspection the Netherlands, Baarn (Adm. Reimer)
field offices - Rotterdam and Amsterdam
Armament Inspection Belgium - Brussels (Maj. Gen. Landwehr Franssen)
Armament Command Brussels
" " Charleroi
" " Liege
" " Lille with field office
Zentralauftragsstelle (Central Order Agency) for Belgium and Northern France

War Economy and Armament Staff (Wi Rue) France, Paris (Lt. Gen. Barckhausen)
with Zentralauftragsstelle Paris
The War Economy and Armament Staff comprises:
Armament Inspection A (Paris and North Western France) at Paris (Maj. Gen. Landwehr Ruedt v. Collenberg)
Armament Command Paris I
" " Paris II
" " Rouen
" " Orleans
and field offices
Armament Inspection B (South West France) at Amiens (Naval Captain Henrici)
Armament Command Bordeaux
" " Le Mans
" " Niort
" " Vannes with field office
Armament Inspection C (South East France) at Dijon (Col. Count v. Vitztum and Eckstadt)
Armament Command Besancon
" " Nancy
" " Nevers
and field offices
War Economy Staff South East
Semlin near Belgrad (Col. Landwehr Braumueller)
The German War Economy officers
at Saloniki
Agram
Sofia
Rumania
others
in Slovakia at Pressburg
in Italy
in Sweden
in Transnistria at Odessa
in Finland
in Lisbon
The German Industrial Commission at Bern

Sources: Mitteilungsblatt des Wehrwirtschafts- und Ruestungsamtes im O.K.W.
Year 7, No. 7, April 10, 1942
No. 9, May 10, 1942
No. 6, March 25, 1942

3. The regional organization of the Wi Rue and of the Speer Ministry is also the most important organ for the economic exploitation of occupied Europe in the stage of military operations as well as under that of German military government (civil and military administration). During military operations, the Technical and Economic Troops, like the Mining Bataillon, the Agricultural-Technical Platoons, and the locally organized Economic Commands facilitate the supply of the German army by salvaging raw materials, machinery, plants, and other equipemtn and by putting back into operation damaged factories and public utilities. Under military government, the Armament Inspectors and the Central Order Agencies (Zentralauftragsstellen) allocate raw materials, distribute orders and supervise the manufacture of combat material in factories in occupied Europe.

The Armament Inspections thus form the nucleus of the war economy in the narrower sense of the word. Their control by the Speer Ministry has assured Speer full control of the military sector of the German economy.

C. The Four Year Plan Office

A distinction must be made between the Four Year Plan and the Four Year Plan Office. The former is a principle which embodies the need to utilize the German economy for the preparedness and conduct of war. The latter is a specific institution. The execution of this plan is by no means confined to the Four year Plan Office. The Four Year Plan Office is merely one of the institutions through which the adaptation of the German economy to preparedness and war has been carried out. Indeed, it is correct to say that the significance of the Four Year Plan Office has declined as compared with that, for instance, of the Ministry of Economics for the Civilian Sector and the Ministry of Armaments and Munitions for the Military Sector.

The Four Year Plan was enacted on October 18, 1936, and Goering was charged with its execution. A Hitler decree of October 18, 1940, extended the plan for another four years. As early as 1938 a considerable part of the functions and personnel of the Four Year Plan Office was transferred to the Ministry of Economics, above all the Commissioner General for Iron and Steel, then Lt. Gen. H. v. Hanneken. 1/

1/ Borsen und Wirtschafts-Kalender 1941 of the Frankfurter Zeitung, p. 10.

The Delegate for the Four Year Plan (Beauftragter fuer den Vierjahresplan): Reich Marshal Goering

Standing Deputy for the Delegate for the Four Year Plan: Paul Koerner, Secretary of State
Second Secretary of State: Office vacated by resignation of Erich Neumann
Reich Commissar for Price Control (Reichskommissar fuer die Preisbildung): Hans Fischboeck
Commissioner General for the Allocation of Labor (Generalbevollmaechtigter fuer den Arbeitseinsatz): Fritz Sauckel
Commissioner General for the Allocation of Labor in Agriculture (fuer den Arbeitseinsatz in der Landwirtschaft): Peuckert
Leader of the Food Division (Geschaeftsgruppe Ernaehrung): Herbert Backe
Leader of the Forestry Division (Geschaeftsgruppe Forsten): Friedrich Alpers
Leader of the Foreign Exchange Division (Geschaeftsgruppe Devisen): Office vacated by resignation of Erich Neumann
Leader of the Transportation Division (Geschaeftsgruppe Verkehr): Dr. Albert Ganzenmueller
Commissioner General for the Transportation of Coal (fuer den Transport der Kohle): Meinberg
Commissioner General for Motor Transport (Kraftfahrwesen): General Kuhn
Commissioner for Transportation from the Eastern Territory: General Kuhn
Delegate for Motor Transport in the War Economy (Beauftragter fuer den motorisierten Transport in der Kriegswirtschaft): Erwin Krauss
Commissioner General for the Regulation of the Building Economy (fuer die Regelung der Bauwirtschaft): Albert Speer
Commissioner General for Armament Tasks (fuer Ruestungsaufgaben): Albert Speer
Inspector General for Special Problems (Generalinspekteur fuer Sonderaufgaben): Albert Speer
Commissioner General for Power (fuer die deutsche Energiewirtschaft): Seebauer (?)
Commissioner General for Special Questions of Chemical Production (fuer Sonderfragen der chemischen Erzeugung): Carl Krauch
Commissioner for the Increase of the Production of Mines (fuer die Leistungssteigerung im Bergbau): Paul Walter (?)
Commissioner for the Promotion of Petroleum Production (fuer die Foerderung der Erdoelgewinnung): Professor A. Bentz
Commissioner General for Mineral Oil (Mineraloel): Raab
Special Commissioner for the Technique of Communication (Sonderbeauftragter fuer technische Nachrichtenmittel): Fellgiebel
Leader of the Haupttreuhandstelle Ost: Max Winkler

The Four Year Plan Office comprises sections (Geschaeftsgruppen) and special agents. There are sections dealing with: food, foreign currency, forests and transportation. 1/ Their function is merely one of co-ordinating the work done in these fields by other agencies. The chiefs of these sections therefore have no staffs of their own and are in fact identical with high civil servants employed elsewhere.

The special agents include Generalbevollmaechtigte (Commissioners General), Beauftragte (Delegates), Special Delegates, and Reich Commissars. equipped with far-reaching powers over existing agencies of the government for the purpose of co-ordinating and speeding up the work of these agencies. There are 3 different types of such Four Year Plan Czars, namely: (1) Commissioners for the rationalization of the economy such as the Commissioner General for Motor Vehicles, now Gen. Kuhn, who was appointed on September 10, 1942 to succeed von Schell; (2) the Commissioner General for Special Tasks of Chemical Production (Professor Krauch, President of I. G. Farben), the Commissioner General for German Energiewirtschaft (Electricity and Gas Economy) J. Dillgardt. This office has transferred many of his functions to the Ministry for Armament and Munitions. 2/ Mention must be made however of three Commissioners General who have assumed and still assume special importance.

1. The Commissioner General for the Regulation of the Building Economy (Speer) is not only an agent for the rationalization of building construction but is also the supreme agent for the allocation of building materials (iron, timber and cement) to the various construction firms and public authorities. It is he who establishes a system of priorities. His functions are therefore very much different from those of other rationalizing agents under the Four Year Plan because he also exercises the functions of a raw material control agency. As a consequence, the Commissioner General for the Regulation of Building Construction also operates through regional agents in Germany 3/ and in occupied territory. His deputies for construction projects are operating in Paris, Brussels, The Hague, the Protectorate, Riga, Kaunas and Tallin. 4/ It has already been mentioned that they are now also the regional agents of the Ministry for Armaments and Munitions residing at the seats of the Armament Inspectors. This Commissioner General has, with

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1/ MEW notes of Economic Intelligence for week ending February 19, 1943, pp. 1 and 2. The section dealing with manpower was dissolved with the appointment of Sauckel as Commissioner General for Labor Supply.

2/ For a full list of the various agencies under the Four Year Plan Office see Appendix I of Section IV of the Strategic Survey.

3/ See Franz Neumann, Behemoth: The Structure and Practice of National Socialism, pp. 250-251, and below pp. for details.

4/ DNB, November 6, 1942.

the increasing shortage of building materials, strengthened his control over the building industry. In June 1942 1/ a special Examining Agency for Large Scale Construction Projects (Pruefstelle fuer Grossbauvorhaben) was established in order to investigate the need for each construction project, with power to discontinue those deemed to be unnecessary.

2. Mention must further be made of the fact that Speer is also Commissioner General for Armament Tasks (Ruestungsaufgaben) in the Four Year Plan Office so that he may, within the civilian sector of the economy, co-ordinate all activities for purposes of increasing armament production. Attached to this office is a Central Agency for Generators (Zentralstelle fuer Generatoren), 2/ which is responsible for the transformation of liquid-driven into producer-gas driven vehicles in the civilian sector.

The Reich Commissar for Price Formation who is also under the jurisdiction of the Four Year Plan will be discussed below.

D. Commissioners Directly Responsible to Hitler

There exist 6 national commissioners who are directly subordinated to Adolf Hitler. They may be conceived as agents for the reconciliation of military and civilian requirements. Of the six, Branat and Werlin apparently have no executive function but merely the duty and the right to investigate on the spot and to report directly to Hitler who may then act on the basis of their reports. The six are as follows:

1. Professor Karl Brandt is Hitler's personal deputy in matters of public health. 3/ He has to reconcile the interest of the Chief of the Wehrmacht Services and that of Dr. Conti, Secretary of State in the Ministry of the Interior and in charge of civilian public health.

2. Jakob Werlin, a successful engineer and businessman and allegedly administering Hitler's investment in the Daimler-Benz Automobile Works, has been made Inspector General for Motor Transportation. 4/ The decree authorizes Werlin to inspect the motor vehicles and transportation of all government and party offices and of all private corporations and to report directly to Hitler.

1/ Frankfurter Zeitung, June 12, 1943, Microfilm No. 71.
2/ Headed by C. F. W. Borgward, owner of a firm of the same name. See Berliner Borsen Zeitung, September 5, 1942.
3/ See decree of Hitler, July 28, 1942 in Heeres Verordnungsblatt, 24th year, No. 47, September 1, 1942, No. 15.
4/ Heeresverordnungsblatt, op. cit., January 21, 1942, Part B, No. 33.

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D. Commissioners Directly Responsible to Hitler

There exist 6 national commissioners who are directly subordinated to Adolf Hitler. They may be conceived as agents for the reconciliation of military and civilian requirements. Of the six, Branat and Werlin apparently have no executive function but merely the duty and the right to investigate on the spot and to report directly to Hitler who may then act on the basis of their reports. The six are as follows:

1. Professor Karl Brandt is Hitler's personal deputy in matters of public health. 3/ He has to reconcile the interest of the Chief of the Wehrmacht Services and that of Dr. Conti, Secretary of State in the Ministry of the Interior and in charge of civilian public health.

2. Jakob Werlin, a successful engineer and businessman and allegedly administering Hitler's investment in the Daimler-Benz Automobile Works, has been made Inspector General for Motor Transportation. 4/ The decree authorizes Werlin to inspect the motor vehicles and transportation of all government and party offices and of all private corporations and to report directly to Hitler.

1/ Frankfurter Zeitung, June 12, 1943, Microfilm No. 71.
2/ Headed by C. F. W. Borgward, owner of a firm of the same name. See Berliner Borsen Zeitung, September 5, 1942.
3/ See decree of Hitler, July 28, 1942 in Heeres Verordnungsblatt, 24th year, No. 47, September 1, 1942, No. 15.
4/ Heeresverordnungsblatt, op. cit., January 21, 1942, Part B, No. 33.

3. Albert Speer has been made, in succession to Todt, Inspector General of Roads, the oldest inspector generalship under the direct responsibility of Hitler. The chief of his Central Department is again Schulze-Fielitz. 1/ The office of the Inspector General is divided into 3 parts:

Division A: Automobile Roads, responsible for the consturction of automobile roads.

Department L: National Highroads, responsible for the maintenance of all highroads owned by the national government.

Department Wehrbauten-Ausland (Military Construction Abroad): Directed by Dr. Dorsch. Dorsch is at the same time Speer's deputy in charge of the Organization Todt. It is therefore likely that the Organization Todt is incorporated into the office of the Inspector General "Roads", the more so since the Organization Todt started as construction squads for the German automobile roads.

4. Robert Ley, leader of the Labor Front, was made National Housing Commissioner (Reichswohnungskommissar) on October 23, 1942. The creation of this position was made necessary by the tremendous destruction of housing through aerial bombardment. The co-ordination of all efforts in this field was indispensable. Dr. Ley uses for his functions the old housing organization within the Ministry of Labor, (Main Department "IV"), all institutions of the Prussian provinces, the states, the municipalities, all public and semi-public housing organizations. He has ultimate responsibility for the settlement, allotment, town planning and the allocation of funds for these purposes. He operates in the regional level through the Gauleiter who have received the title of "Gauwohnungskommissare." (Gau Housing Commissioners).

5. On July 5, 1942, the Hamburg Gauleiter Karl Kaufmann was made Reich Commissioner for Ocean Shipping. 2/ His appointment coincides with the transfer to private owners (especially to the Essberger line) of the stock held by the German government in some of the most important ocean shipping lines. Kaufmann's task is that of co-ordinating all agencies, public and private, engaged in the construction of ocean-going ships, to speed up loading and unloading, to co-ordinate rail, ship, and truck transportation and to supervise all contracts placed abroad by German firms or authorities for the construction of tonnage. 3/ The rationalization and standardization of

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1/ See above p.
2/ Voelkischer Beobachter, September 9, 1942.
3/ MEW Intelligence Weekly Report No. 20, Week ending September 4, 1942.

construction methods belongs to his jurisdiction. Kaufmann has appointed some Gauleiter his Gau Deputies for Ocean Shipping 1/ and has appointed the following Port Commissioners:

for Weser ports:	Eggers
" Ems " :	Brunner
" Schleswig-Holstein:	Pupke
Pommern:	Wegener
" East Prussia:	Liebetruth
" Mecklenburg:	Dedow
" Danzig-Westpreussen:	Hoffmann
" Hamburg:	Wirtz
" Mediterranean:	Essen

Kaufmann maintains an organization in Occupied Europe. The Norwegian Office, i. e., is divided into 7 departments (Organization; Planning; Ocean Shipping; Costal Shipping; Harbors; Yards; Equipment) and operates in his field offices through Harbor Inspectors. 2/

It is doubtful whether Kaufmann has solved the tasks allotted to him. The appointment of Dr. Guenther Bergemann, a non-Nazi who comes from the Catholic trade union movement, as ministerial director in the Ministry of Transportation in charge of ocean shipping, seems to indicate his failure.

6. Speer is also Inspector General for Water and Power, co-ordinating all efforts and all agencies in the fields of water control, inland waterways, planning and development of the waterway system and of power (Energie). The office is divided into two sections: "Water" and "Power" respectively.

The section "Power" is headed by Melchinger.

The section "Water" has recently been reorganized and is now divided into the following departments:

W I Water Construction and Supervision of Waters - technical direction. -chief: Ministerial director Gaehrs.

W II Planning and Technical - Scientific Tasks - chief: Oberbaudirektor Helfrich.

W III Law - chief: Ministerial director Dr. Behrmann. 3/

1/ Die Neue Zeit, July 24, 1942, Microfilm No. 206.
2/ Die Organisation Des Deutschen Reichskommissariates Fuer Norwegen, German document transmitted by OSS London, August 5, 1943.
3/ Koelnische Zeitung, May 18, 1943

A statute of June 30, 1943 has authorized the Inspector General to restrict the sale and the consumption of power (electricity and gas), and a decree of the Ministerial Council for the Defense of the Reich authorizes the Commissioner to expropriate waterways and to transfer property to the Reich.1/

E. The Commissioner General for the Economy and the Ministry of Economics

1. At the outbreak of the war and with the creation of the Ministerial Council for the Defense of the Reich, the Minister of Economics was made Commissioner General for the Economy and thus put in charge of the civilian sector of the war economy. This position equals that of the Commissioner General for Administration entrusted to the Minister of the Interior. The two Commissioners General are members of the Ministerial Council. The Commissioner General for the Economy controls not only the Ministry of Economics, but also that for Food and Agriculture and the Office of the Reich Forest Master. The Ministry of Labor fell originally under the jurisdiction of the Commissioner General for the Economy but has undoubtedly been taken away from him in the spring of 1942. Sauckel has been placed in charge of its departments I and III, Ley as Housing Commissioner in charge of its department IV so that the Ministry of Labor remains an empty shell. The Ministries of Transportation and Finance never were under the jurisdiction of the Commissioner General for the Economy, because the Germans consider these two Ministries primarily as "technical" as opposed to policy-making ministries.

The strength of the Commissioner General, Minister of Economics Walter Funk, derives predominantly from his control of the Ministry of Economics, a highly efficient body whose powers have been considerably strengthened since 1933. Though the Commissioner General controls legally only the civilian sector of the economy, his influence is felt in the whole economy. For it is the Ministry of Economics that controls all self-governing institutions of German industry, trade, banking and insurance, power and handicraft.

2. The Ministry of Economics is divided into five Main Departments (Hauptabteilungen). They are:

I. Personnel and administration - chief: Hans Ilgner

II. Industry - chief: Hans Kehrl (succeeding Lieut. Gen. H. v. Hanneken)

III. Organization of the economy - chief: Rudolf Schmeer

IV. Finance - chief: Klucki

V. Commerce and currency - chief: von Jagwitz 2/

1/ Neue Zuercher Zeitung, June 3, 1943.

2/ On the background of the personnel see Franz Neumann, Behemoth, pp. 371-373.

The key officials, apart from Funk, are the Secretary of State Dr. Landfried (an old civil servant) and Hans Kehrl, a small textile manufacturer who has rapidly risen both as a businessman (cellulose wool) and as an administrator. Kehrl is responsible for the reorganization of the economy undertaken in the spring of 1942.

The Ministry of Economics, in spite of the great significance that it had already under the Weimar Republic, lacked regional and local agencies of its own. Its policies therefore could not be executed by its own machinery but it had to rely upon other executive organs.

3. This was remedied by the War Economy decree of August 27/November 28, 1939, by which the Ministry of Economics obtained a regional and local executive machinery, namely Landeswirtschaftsaemter, 1/ (Regional Economic Offices), and Wirtschaftsaemter, (Economic Offices). In order to avoid, however, the establishment of a new bureaucracy on the regional and local levels the Oberpraesidenten (Provincial Presidents) of the Prussian administration for Prussia, and the Reich Governors or Prime Ministers in other states were made the chiefs of the regional economic offices. Recently, the establishment of Advisory Councils at the Regional Economic Offices was announced. 2/ They are to consist of businessmen. This is an innovation of considerable significance. In no previous case have bodies composed of private individuals been attached to genuine administrators. This is the first time that the "commercialization" of economic controls has been extended into the very field of domestic administration.

On the local level Wirtschaftsaemter (Economic Offices) were created by the above mentioned decree and the mayors in the cities and the Landraete of the rural counties were made chiefs of these economic offices.

The first executive decree of August 27, 1939/September 22, 1939 defines the functions of the Landeswirtschaftaemter as follows:

a. Securing of the productivity of all major industrial plants;
b. protection of all indispensable trade establishments;
c. protection of all indispensable handicraft plants;
d. protection of all indispensable credit and insurance institutions;
e. securing of electric power;
f. collaboration in the rationing of raw material and semi-finished goods;
g. the administration of rationing for coal, heating oil, rubber tires, textiles, shoes, soap and other finished goods which are subject to rationing.
h. the collection and rationing of old materials.

1/ Up to April 4, 1941, they were called Bezirkswirtschaftsaemter. See August Dresbach "Aemter und Kammern" in Die Wirtschaftskurve 1941. No. 3, pp. 193-201.
2/ Frankfurter Zeitung, April 12, 1943.

Numbers b, c, d, and e are merely negative functions. The Regional Economic Offices see to it that plants vital for the war economy are not closed down due to "combing out", lack of raw material, or military service of their owners or employees. In this respect they merely supplement work done by other agencies, the Reichsstellen, Verteilungsstellen, Auskaemmungskommissionen, etc., which will be discussed later.

Number a is a general clause which gives little indication what it means. There are a large number of situations imaginable where it could apply. suppose the output of a factory goes down. This may be due to exhaustion of the workers, to sabotage, to lack of trained personnel, to bad management, to bad tools, etc. The LWA act thus as the watch dogs over productivity. They may i.e. recommend higher rations to the workers, or call in the Gestapo to investigate, or demand a change in management.

Number f makes the Regional Economic offices collaborating agencies with the Reichsstellen and quota agencies for the allocation of raw material.

Their major tasks are, however, enumerated in Nos. g, h, that is, the rationing of consumers goods and the collection of junk. The former task is carried out in accordance with strict central orders issued by the Ministry of Economics, the latter is under the control of the Federal Commissar for the Reclamation of Old Material (Reichskommissar fuer Altmaterialverwertung).

The functions of the local economic offices (Wirtschaftsämter) are more restricted: They are (Article VI of this first executive decree to the Decree on Administration of the Economy) exclusively rationing offices for consumers goods and organs for collections of junk.

4. There are a large number of semi-independent agencies under the Ministry of Economics.

a. The Reichsbank is one of them. 1/ It is today under the authoritarian control of its president who, since Schacht's resignation, is Dr. Funk, who is directly responsible to Hitler. The former Central Committee of the Reichsbank has been abolished and the shareholders' meeting has no longer any powers and cannot pass any resolutions. The president is advised by a Beirat (Council), the members of which are in turn appointed by Hitler.

b. Under the Ministry of the Interior is the National Commissioner for Credit Control. The National Commissioner is subject to orders of the Ministry of Economics and succeeds the former Supervisory Office for Credit Control (Aufsichtsamt fuer das Kreditwesen) which was dissolved by the above mentioned decree.

1/ Reichsbank Statute of June 15, 1939.

c. The Ministry of Economics is also the supervisory agent for all raw material control agencies on the basis of the decree of September 4, 1934 replaced by that of August 18, 1939 (Verordnung ueber den Warenverkehr). The Organization and functioning of raw material control will be discussed later.

d. The Minister of Economics is also in charge of the supervision of German industry both in its functional and in its regional aspect.

e. The Law for the Establishment of Reich Mining Authorities of September 30, 1942 (in force since April 1, 1943) has transferred all authorities engaged in the control of mining from the states to the Reich. This is the logical consequence of the merger of the Prussian Ministry for Economics and Labor (Wirtschaft und Arbeit) with the Reich Ministry of Economics, on July 1, 1934.

The territory is now divided into 10 Regional Mining Districts (Oberbergamtsbezirke) 1/ namely:

Breslau
Freiberg in Saxony
Halle
Clausthal (temporary)
Dortmund
Bonn
Saarbruecken
Karlsruhe (temporary)
Munich
Vienna (temporary)

The following mining authorities of the states have been abolished:

Brunswick
Darmstadt
Stuttgart

The Regional Mining Districts are divided into Mining Offices (Bergaemter). A new regulation on the seats and jurisdiction of the Mining Offices is to be expected in the near future. 2/

1/ Koelnische Zeitung, April 2, 1943.

2/ The mining administration deals only with the supervision of the mines from the point of view of safety, health, etc. Control of production and marketing lies with other bodies to be discussed below, pp.

F. The Ministry for Food and Agriculture

1. The Commissioner General for the Economy supervises the Ministry for Food and Agriculture which is headed by the Secretary of State H. Backe. The Minister, Dr. Darré, has not been dismissed but is merely on leave. The organization of the Ministry is as follows:

Minister: Walter Darré, on leave
Acting Minister: Secretary of State Herbert Backe
Secretary of State: Werner Willikens
Under Secretary of State: Anton Reinthaller
Main Departments:

I. General Administration, Reich Food Estate: Harmening
II. Agricultural Production: Dr. Moritz
III. Horses: Dr. Seyffert
IV. Credit and Banking: Harmening
V. Tariff and Customs, Foreign Relations: Dr. Walter
VI. Soil Conservation, Surveying, etc.: Gustav Behrens
VII. State Domains: Kummer
VIII. Agricultural Settlement: Hiege
IX. Incorporated Territories, Protectorate: Reinthaller
X. Conservation of Germandom: Harmening

Agencies attached to, or under the supervision of, the Ministry:

Reich Court for Hereditary Farms (Reichserbhofgericht), Berlin
Reich Board for Rural Settlement (Umsiedlung), Berlin
Chief: Ministerial Director Riecke
Reich Food Estate (Reichsnaehrstand). - Until his retirement, Darré was both Minister for Food and Agriculture and, as Reich Peasant Leader (Reichsbauernfuehrer), head of the Food Estate. On the eve of the war, the Food Estate was subordinated to the Ministry as an instrument of regulation.
Acting Reich Peasant Leader: Backe
Reich Agent (Reichsobmann): Behrens

Under the Ministry for Food and Agriculture is the Food Estate (Reichsnaehrstand) created by the decree of September 13, 1933. Up to the outbreak of the war the Reichsnaehrstand was a corporation of public law possessing a legal personality of its own. Its function was the regulation of the agricultural market. It is divided functionally into cartels and regionally into 30 regional peasant organizations (Landesbauernschaften) which in turn are subdivided into smaller units, the Kreisbauernschaften (710) and Ortsbauernschaften (60,000). With the outbreak of the war the Food Estate was placed directly under the Ministry of Food and Agriculture and transformed into an executive agency of this Ministry. In the summer of 1942, Main Department "I" (Der Mensch) of the Food Estate, dealing with the indoctrination of the peasants, was dissolved.

2. The same decree that provided for the establishment of the Regional and local Economic Offices also created a regional and local executive machinery of the Ministry for Food and Agriculture, namely the Regional Food Offices (Landesernaehrungsaemter = LEAe) and the Food Offices (Ernaehrungsaemter = EAe).

The functions are defined by the decree of August 27, 1939, 1/ which is fully understandable only if one realizes that the Food Estate has lost completely its autonomy and is now simply an administrative agency of the Ministry for Food and Agriculture.

The Regional Food Offices are divided into two departments:

a. Procurement of adequate supply (Bedarfsdeckung).
b. Rationing

Department (a) is the Food Estate, which simply places its facilities and its personnel at the disposal of the food offices.

Department (b) is the civil service of the offices to which the food offices are attached.

The Regional Food Office has been entrusted with securing a sufficient supply of foodstuffs and fodder for the consumer and with supervising the activities of the local food offices. The Food offices have to:

a. Ensure that land is cultivated in accordance with the rulings of the Ministry for Food and Agriculture. They issue

(1) Hofkarten (farm certificates) which contain the stock, the amount of the harvest, the amount to be used by the farmer, etc.;
(2) they control the amounts allowed to the farmers and see that they do not exceed what is necessary for their own needs;
(3) they make inventories;
(4) they co-ordinate the activities of all agencies.

b. Administer Rationing

(1) by generally fixing the needs of their territory for a specific period;
(2) by preparing household lists, dividing the consumers into groups for differential treatment, and issuing ration cards;
(3) they are responsible for seeing that the distribution apparatus really brings the foodstuffs to the market.

1/ Verordnung über öffentliche Bewirtschaftung von Landwirtschaftlichen Erzeugnissen, August 27, 1939, Reichsgesetzblatt I, 1521.

3. Yet it would be wrong to assume that the Regional Food Offices really are the agents for controlling and regulating the supply of agricultural commodities. They are merely executive organs. The planning of the agricultural production lies with the compulsory cartels of the food estate which, by the decree of August 27, 1939, have become organs of the State.

According to Paragraph 3 of the Food Estates Act of September 13, 1933 1/ agricultural producers and distributors may be compulsorily joined by the Minister for Food and Agriculture in Hauptvereinigungen, subdivided into regional Wirtschaftsverbande, for the regulation of the market (prices, sales conditions, price margins, etc.).

It is, according to Paragraph 6 of the decree of August 27, 1939, the Hauptvereinigungen, the compulsory cartels, that are the organs for the planning of production and distribution. With the consent of the Minister for Food and Agriculture, they establish the plans for civilian supply as well as for that of the armed forces. They also supply the necessary agricultural products to plants (for production) and to the distributing apparatus.

The following Hauptvereinigungen exist:

a. Getreidewirtschaft (Grain Economy) with 21 Wirtschaftsverbaenden (Wvb)
b. Milch-, Fett- und Eierwirtschaft (Milk, Fat and Egg Economy) with 28 Wvb 1/
c. Viehwirtschaft (Cattle Economy) with 23 Wvb
d. Kartoffelwirtschaft (Potatoe Economy) with 21 Wvb
e. Zucker und Suesswarenwirtschaft (Sugar and Candy Economy) 2/ with 10 (?) Wvb
f. Gartenbau (Gardening and Viticulture) with 22 Wvb
g. Brauwirtschaft (Brewing Industry) with 4 Wvb
h. Wein- und Trinkbranntwein (Wine and Drinking Brandy) 3/ with 15 (?) Wvb
i. Fischwirtschaft (Fish Economy)

1/ Decree of the Reichsbauernfuehrer of May 28, 1943 in Die Landware, June 10, 1943.
2/ Originally two. Merged in July 1942; see Hamburger Fremdenblatt, March 26, 1943.
3/ Originally two. Merged on April 30, 1943; Reichsgesetzblatt, Part I, p. 273; see Koelnische Zeitung, May 7, 1943.

The regional structure of the Hauptvereinigungen, their Wvb, can be best made clear at the instance of the decree of May 18, 1943 on the Reorganization of the Milk, Fat and Egg Wvb. The territory covered by these 28 Wvb is, in almost every case, identical with the territory of the corresponding Regional Peasant Offices (Landesbauernschaften).

Under the Ministry for Food and Agriculture are also the Reichsstellen for raw material control to be discussed below (pp.).

G. The Reich Forest Master

By a decree of July 3, 1934, the administration of the forests and of hunting was transferred from the states to the Reich, namely, to the office of the Reich Forest Master who has the position of a Reich Minister.

The War Economy Decree created Holzwirtschaftsaemter (Timber Offices), now called Forst- und Holzwirtschaftsaemter (Forest and Timber offices) which correspond to the Economic and Food Offices.

The Forest and Timber Offices grew out of a cartel, whose management had been entrusted with the regulation of the timber market. 1/ Members of the cartel were, of course, the Reich and the states as owners of the biggest forests.

On September 5, 1939 2/ the cartel management was replaced by the Reichsstelle Holz which established branches, so-called timber offices. It is, thus, in fact, the Reichsstelle which is, at the same time, the Forest and Timber Offices.

The Reichsstelle is now called "Forst and Holz (Forest and Timber). 3/

H. Transportation Controls

For an analysis of the railroad controls, see Paragraph 38 A of the Strategic Survey of Greater Germany, especially pages 43 to 46.

The Ministry of Transportation has an independent status and is not subject to the General Commissioner of the Economy or to the Four Year

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1/ Statute of October 16, 1935, Reichsgesetzblatt I, 139.
2/ Decree of September 5, 1939, Reichsgesetzblatt I, 1677.
3/ Hamburger Fremdenblatt, March 26, 1943.

Plan Office. The co-ordination between the Ministry of Transportation and the Four Year Plan Office is achieved through the section "Transportation" in the Four Year Plan Office 1/ which is headed by the Secretary of State in the Ministry of Transportation. Due to the significance of the transportation system in Germany, even the self-government of the transportation industry is separately organized in 6 National Transportation Groups which will be discussed later. 2/

In addition to the Ministry a number of special agents apart from the Inspector General for Motor Roads have been appointed for the co-ordination of transportation. There exist in almost all Prussian provinces and in all non-Prussian states Bevollmaechtigte fuer den Nahverkehr, that is Deputies for Intra-City and Suburban Transportation. Their task is to co-ordinate all transportation facilities within a province, especially the various streetcar, bus and truck lines.

Co-ordination between the armed forces and the transportation facilities within each Wehrkreis is achieved in the following manner: In order to enable the armed forces to draw upon the pool of civilian trucks, all truck owners in the Reich are compulsorily organized in a Reichs-Kraftwagen-Betriebsverband (Reich Motor Vehicle Operating Association) which is subdivided into districts corresponding to the Wehrkreise. The Supreme Command of the Armed Forces has appointed for each Wehrkreis a Bezirksbeauftragten (district deputy) who has the function of drawing upon the vehicular resources in the district whenever such necessity arises. 3/

I. The Reich Ministry of the Interior plays an incidental though quite important role among the agencies exercising economic controls. Parallel to the Office of the General Commissioner for the Economy, there is also a Commissioner General for Administration who is the present Minister of the Interior, Himmler. The importance of the Ministry of the Interior derives from the fact that, due to the consolidation of the Reich Ministry of the Interior disposes with the Prussian Ministry of the Interior, the Reich Ministry of the Interior disposes of the oldest and most efficient executive machinery. The Government, therefore, desired to strengthen the Interior Ministry and not to establish new administrative agencies on the regional level. Consequently a statute on the Unification of the Organization of the Administration 4/ was passed and all new administration tasks were to be

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1/ See above p.
2/ See below p.
3/ Heeresverordnungsblatt, 24th year, No. 16, Part C, March 25, 1942, supplement to which contains the list of the district deputies.
4/ Gesetz ueber die Vereinheitlichung im Behoerdenaufbau of July 5, 1935, Reichsgesetzblatt, Part I, p. 1197.

transferred to the existing apparatus of the Reich Ministry of the Interior and no new agencies were to be established. This statute has not been literally carried out, as the previous survey shows.

All that has been done was to attach the new regional economic organizations to the Provincial Presidents, Reich Governors and Prime Ministers and thus to utilize the personnel and experience of the so-called "allgemeine Verwaltung" of the Ministry of the Interior. But the new regional economic organizations were not placed under the Minister of the Interior, but under the Ministries of Economics, Agriculture and the Forest Master respectively. The unity of administration on the regional level was thus sacrificed to the rivalries between the various ministerial chiefs. In addition, the provincial presidents in Prussia and the other agencies respectively, wherever their seat was identical with the seat of a Wehrkreis, have established Wehrwirtschaftliches Abteilungen (War Economy Departments) for the Wehrkreis. These War Economy Departments are usually divided into 4 groups, namely, Industrial Economy, Forests and Timber, Labor, Food and Agriculture. In this way a co-operation between the civilian sector of the administration and the military administration was achieved even prior to the establishment of the new war economy bureaucracy.

II. Business Organizations

Introduction

The functioning of economic and social controls in Germany would not be understandable without the existence of a network of business organizations incorporated into the government structure and executing an ever increasing number of political and administrative functions. It is this integration of business organizations and the government bureaucracy that has given to the German economy the efficiency that it has demonstrated in the past and that prevented a breakdown of the German economic and social controls after the defeat of the winter of 1941-42. Only through the co-operation between governmental and business institutions has the regime been able to utilize the knowledge, the initiative and the aggressiveness of German business leaders.

Two organizational principles must be clearly distinguished within German business.

German business is organized in its business activities for the control of the market, that is in order to influence prices, sales conditions and so on. In their business activities, the German businessmen have adopted

the form of either the cartel, that is the horizontal organization of independent entrepreneurs for the control of the commodity market, 1/ or the vertical combine (the German work is Konzern). In the vertical combine one group controls a number of enterprises engaged in various economic activities. The most important combines are those within the heavy industries which usually comprise coal or lignite mines; iron making works, iron processing works, electrical engineering and very often inland navigation.

There is a second form of business organization in which business is not organized in its business activities but as a pressure group for the purpose of molding and influencing governmental action and protecting the interests of the business world. In their early days, the Nazis used to call this form staendische organization, though they abandoned the term and principle early in 1934. 2/ We may call this the political organization of business as opposed to that of the economic organization of business.

This organizational aspect deserves closer attention. There are and always were within the political structure of business two different forms: a functional, and a regional one. The functional form is that of the trade association, the regional that of the chamber of commerce and industry.

A. The Political Status of Business in the Weimar Republic

The extremely complex structure of National Socialist business organization can be much more easily understood if it is placed in an adequate historical context. By doing so, we shall at the same time find that National Socialism added little that is new to the already existing pattern of organization.

Ownership of the means of production exercises its function in a number of spheres, 3/ especially in the labor market, the commodity market, and in the state. In the labor market, it operates as a hostile or friendly partner of labor organizations, either as an individual employer or as an employers' organization set up for the purpose of collective bargaining. In the commodity market, it operates as an individual entrepreneur, as a cartel, as a combine, or as a trust for fixing prices, sales, and purchasing conditions. In the state, business is organized in trade associations or estate associations for influencing the state's economic

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1/ This form is forbidden in the United States under the Sherman Act.
2/ See F. Neumann, op. cit., for the reason.
3/ See Franz Neumann, Behemoth, p. 403.

or financial policies. Business is in that case a political pressure group, which also elaborates machinery for advising and protecting its members and making their life within the increasing complexities of state regimentation more bearable than would otherwise be the case.

Corresponding to these three spheres of power are three different organizations, the prototypes of which are the employers' organization for the labor market, the cartel for the commodity market, and the Fachverband (trade association) for the political organization of business. In spite of the rather rigid distinction in the organizational set up, the three types were intertwined in personnel through interlocking management. In the small and medium-sized organizations, the cartel manager is, as a rule, at the same time manager of the employers' association and of the local or provincial Fachverband.

This political organization of business was developed on a dual basis, territorial and functional. The territorial units were the chambers of industry and commerce (the chambers of handicraft), which were organizations under public law, in which membership was compulsory and the dues were collected like taxes. They possessed a considerable amount of self-government, and were supervised like any corporation under the public law, by the relevant state ministry. The officials of the chambers were elected by the members. The chambers represented the business in a particular territory, the president usually playing a considerable role in municipal life and in the organization of the stock exchange. The chambers were united in regional associations, which, however, had no public character, but were entirely private organizations - with the exception of the association of the handicraft chambers. The central organization of the chambers of industry and commerce in Germany was called the Diet of German Industry and Commerce. It was thus a so-called Spitzenverband, 1/ that is, a top or holding organization, composed not of individual members, but of other, lower-ranking organizations.

The territorial organizations, were, therefore, the concern of every businessman. Whatever the size of his plant, he was accepted in the chambers, formally at least, on a basis of equality. His voting power was not in proportion to the size of his enterprise, and he could even play some role in the chamber, in some committee, as a publicly recognized expert before courts or administrative tribunals, and so on.

1/ On Spitzenverbände, see the excellent contribution by Robert A. Brady, 'Manufacturing Spitzenverbände,' in Political Science Quarterly, 1941 (56), pp. 199-225.

The real power of the political business organization did not, however, lie in the territorial, but rather in the functional division. Handicraft, agriculture, industry, trade, banking, and insurance were each organized in so-called Spitzenverbänden, composed of many affiliated associations. The most powerful among them was the Reichsverband der Deutschen Industrie, the Federal Union of German Industry, which, like most other Spitzenverbände, was founded in 1919 (3 February) as an attempt to safeguard business interests in what appeared to be a world torn by social revolution. The charter states that the Federal Union of German Industry is 'the representative of German industry in all questions of business and economic policy, and that it is in close collaboration with the federal union of German employers' organizations which is the representative of German industry in all social and socio-political questions.' It arose from the fusion of two industrial organizations, the Central Union of German Industry, founded in 1876, representing heavy industry, and the very ably led League of Industrialists, founded in 1895 and more or less identified with the light or processing industries. During the First World War, these two organizations came together in the war committee of German industry which, from 1918, was supported by the German industrial council. The composition of the Reichsverband was a mixture of functional and regional principles, but its largest affiliates were the so-called Fachverbände, amounting to 1,500 in 1931, which were embraced in 28 functional groups. But the union also incorporated individual entrepreneurs (1,400 in 1931) and very powerful territorial pressure groups such as the Bavarian union of industrialists, the association of Saxon industrialists, and, above all, the association for safeguarding the common economic interests of the Rhineland and Westphalia, popularly known as the 'long-name association.' 1/ The Fachverbände, representing the kernel of the Spitzenverbände, were, in turn, the composite of many lower and smaller units. Each of them was, in fact, a network of many lower functional units. The size and significance of the Federal Union of German Industry may be gathered from the diversity and size of its organs. Besides the members' assembly, there was a Hauptausschuss or main committee, composed of 200 members, a directorate of between 205 and 220 persons with a presidency consisting of between 30 and 36, and a senate. The presidents were successively Dr. Sorge of the Krupp directorate, Dr. Duisberg of the dyestuff trust, and finally, Dr. Krupp von Bohlen and Halbach. The Reichsverband provided a number of services for its members, dealing with questions of economic policy, tariffs, imports, exports, money, finances, and reparations. One of the most important services was offered by the Kartellstelle, or cartel department, which functioned as an advisory and co-ordinating agency for all cartels, furnishing them legal and economic advice, working out master cartel agreements, and perpetually gearing the propaganda machine to the policy of the marketing organizations. The political organization of German business under the Weimar Republic was thus an imposing edifice, extending into almost every economic activity.

1/ See F. Neumann, Behemoth, p. 49.

THE ORGANIZATION OF BUSINESS IN THE WEIMAR REPUBLIC

PROPERTY OPERATES IN THE:

Enterprise	COMMODITY MARKET (Marktregulierende organizations) Horizontal Organizations	Vertical Organizations	LABOR MARKET Employers	Employees
	the cartel The cartels are advised by the cartel department of the Federal Union of German Industry	the Konzern (combine); the trust Types: a) combination of possessive functions: exchange of shares b) combination of administrative functions: (interlocking directorates) c) combination of profits: (pools-Interessengemeinschaften)	Spitzenverbände in the following fields: a) Agriculture and Forestry b) Industry (Vereinigung der Deutschen Arbeitgeberverbände) c) Trade d) Banking e) Insurance	Spitzenverbände (also exercising 'political' functions) 'Recognized' a) Socialists I manual workers :ADGB II salaried employees :Afa Bund III civil servants :ADB-unimportant b) Christian-National (DGB) I manual workers :Gesamtverband II salaried employees :Gedag (most important DHV) III civil servants :DBB c) Democrats (Hirsch-Duncker) - Gewerkschaftsring I manual workers :Verband deutscher Gewerkvereine - unimportant II salaried employees :GDA DBV (banking employees) etc. 'Not Recognized' a) RGO - communist b) FAUD - revolutionary syndicalist c) NSBO - national socialist d) 'Yellow' organizations

THE ORGANIZATION OF BUSINESS IN THE WEIMAR REPUBLIC

PROPERTY OPERATES IN THE:

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LABOR MARKET

Employers	Employees
Spitzenverbände in the following fields: a) Agriculture and Forestry b) Industry (Vereinigung der Deutschen Arbeitgeberverbände) c) Trade d) Banking e) Insurance	Spitzenverbände (also exercising 'political' functions) 'Recognized' a) Socialists I manual workers :ADGB II salaried employees :Afa Bund III civil servants :ADB-unimportant b) Christian-National (DGB) I manual workers :Gesamtverband II salaried employees :Gedag (most important DHV) III civil servants :DBB c) Democrats (Hirsch-Duncker) - Gewerkschaftsring I manual workers :Verband deutscher Gewerkvereine - unimportant II salaried employees :GDA DBV (banking employees) etc. 'Not Recognized' a) RGO - communist b) FAUD - revolutionary syndicalist c) NSBO - national socialist d) 'Yellow' organizations

STATE

(Standes organizations)

Territorial Organization	Functional Organization
a) Chamber of Agriculture (in Bavaria: Peasant Chambers). Public Law. Prussian Central Organization: Preussische Hauptlandwirtschafts-Kammer (Prussian Main Chamber of Agriculture). Public Law. Federal Central Organization: Deutscher Landwirtschaftsrat (German Council for Agriculture). Private Law.	a) Spitzenverband: Reichsausschuss der deutschen Landwirtschaft (Federal Committee of German Agriculture). Most important member: Reichslandbund, from merger of two organizations in 1921, composed of 30 functional organizations. Since 1929 member of Green Front, pressure group for higher agrarian tariffs.
b) Chambers of Industry and Commerce. Public Law. Federal Central Organization: Deutscher Industrie- und Handelstag (Diet of German Industry and Commerce). Private Law.	b) Spitzenverbände (1) Reichsverband der Deutschen Industrie (Federal Union of German Industry) 1919, composed of 'Fachverbände') (2) Reichsverband des Deutschen Gross- und Ueberseehandels (Wholesale and Overseas Trade) (3) Hauptgemeinschaft des deutschen Einzelhandels (Retail) 1919. Composed of 72 organizations. (4) Zentralverband des deutschen Bank- und Bankiergewerbes (Banks). (5) Reichsverband für Privatversicherung (Insurance).
c) Chambers of Handicraft. Public Law. Federal Central Organization: Deutscher Handwerks-und Gewerbetag (Diet of German Handicraft). Public Law. Supervised by Federal Minister of Economics.	c) Spitzenverband: Reichsverband des deutschen Handwerks. 1919. (Handicrafts) Composed of: Guilds (organized under public law) free handicrafts organizations; and the central union of German handicrafts cooperatives.
	d) a - c are co-ordinated in a super-Spitzenverband: the Zentralausschuss der Unternehmerverbände (Central Committee of Entrepreneurial Organizations) 1920. The Union of German Employers' Organizations is equally affiliated.

There was a very clear-cut division of labor between the political organizations and the employers' organizations. The employers' organizations were also organized in Spitzenverbände, five important ones, their leadership being vested in the industrial Spitzenverband of the employers' organizations, namely, Die Vereinigung der deutschen Arbeitergeberverbände (the union of German employers' organizations). The employers' 'peak' associations were not bargaining associations as such, since according to German law only labor-market organizations, composed of individual members, had the right to bargain collectively. 1/ The union of German employers' organizations was thus a co-ordinating agency for all employers' associations in industry, advising them, working toward a common policy against the trade unions, and even offering the members financial protection against strikes by a strike-insurance corporation. The charter of the Federal Union of German Industry, which we have already mentioned, makes it clear that the two industrial peak organizations, one concerning the labor market and the other political, worked harmoniously with each other.

But even that centralization of associations did not go far enough. In 1920, all the peak organizations in agriculture, industry, trade, banking, insurance, and handicrafts, with the peak employers' organizations and some other industrial pressure groups, founded the central committee of entrepreneurial organizations (Zentralausschuss der Unternehmerverbände) in order to weld together all industrial activity in the face of the threat from the trade unions. The preceding picture will clarify the structure of German business organization.

B. The Functional Organization of Nazi Business: the Groups

The basic law for the functional self-government of German industry is the Act of November 27, 1934 supplemented by the executive decree of November 27, 1934.

All businessmen, even public enterprises, must be members of a so-called Gruppe (Group). The whole economy, exclusive of transportation and agriculture, is divided into 7 National Groups (Reichsgruppen); namely,

1. Industry, 2, Trade, 3. Banking, 4. Insurance, 5. Power, 6. Tourist Industry, 7. Handicraft. The National Groups are subdivided into Economic Groups (Wirtschaftsgruppen) among them 31 in industry, 4 in trade, 6 in banking, and so on. The Economic Groups, the kernel of the structure, are subdivided into Fachgruppen (Trade Groups). Some of the Trade Groups are in turn subdivided into sub-Trade Groups (Fachuntergruppen).

1/ Franz Neumann, Tarifrecht, Berlin, 1931, pp. 29-30.

While these 7 National Groups and the lower organizational units stand under the Minister of Economics, the 6 National Transportation Groups come under the jurisdiction of the Minister of Transportation. The 6 Transportation Groups are: 1. Ocean Shipping, 2. Inland Navigation, 3. Motor Transportation, 4. Private Railroads, 5. Shipping and Warehousing, 6. Auxiliary Transportation Services.

The National Groups correspond roughly to the old Spitzenverbaende; the National Group Industry is thus almost identical with the Reichsverband der deutschen Industrie. The identity and continuity between the new Groups and the old trade associations is never hidden. Most of the executive decrees by which Groups have been set up have simply transformed the previously existing trade associations into the new Groups.

There are two differences between the old and the new system, first, compulsory membership in the Groups and, secondly, the introduction of the leadership principle. The leaders of the National Groups are appointed by the Minister of Economics. The leaders of the lower organizational units are all appointed from above.

The leadership principle has, however, been amended by a decree of the Minister of Economics of January 20, 1943. 1/ The leadership now rests in presidential councils for the Economic Groups and in managing boards for the Trade Groups. The new directing organs of the Groups will be composed of the most active businessmen in the field and responsibility will now rest with collective bodies and no longer with individuals.

C. The Regional Organization of Business: the Chambers

1. A decree of August 20, 1934 2/ made but few changes in the system. It established the leadership principle in the Chambers of Industry and Commerce and the Chambers of Handicraft, established as a peak organization for the Chambers the "Association of the Chambers of Industry and Commerce", and placed the Chambers under the government of the Reich instead of under the states.

The executive decree of November 27, 1934 established moreover Economic Chambers (Wirtschaftskammern) in addition to the Chambers of Industry and Commerce. The new Economic Chambers were designed as the co-ordinating agencies on the provincial level. They were intended to establish co-operation between the Chambers of Industry and Commerce and the Chambers of Handicraft, the regional organizations of the Groups, and the various

1/ Münchner Neueste Nachrichten, February 5, 1943.
2/ See Eberhard Barth, Wesen und Aufgaben der Organisation der gewerblichen Wirtschaft, Hamburg, 1939, pp. 30-31

executive agencies of the Reich government on the provincial level. 1/

By a decree of May 30, 1942, 2/ a completely new Chamber organization was created. So-called Gauwirtschaftskammern (Gau Economic Chambers) were instituted, and the Minister of Economics was authorized to abolish such Chambers of Industry and Commerce, Chambers of Handicraft and Economic Chambers as he saw fit. As a consequence of this decree 3/ the following changes were made: instead of the 209 Chambers (111 Chambers of Industry and Commerce, 71 Chambers of Handicraft and 27 Economic Chambers), only 41 Gau Economic Chambers and 18 Economic Chambers remained. The Economic Chambers operate more or less as branches of the Gau Economic Chambers. The following survey gives a picture of the present Chamber organization:

2. Gau Economic Chambers

Gau Economic Chamber	Seat	President	Economic Chamber
Bayreuth	Bayreuth	Böttcher	
Berlin-Brandenburg	Berlin	Fireinhart*	Kottbus
Danzig-Westpreussen	Danzig	Woermann	
Düsseldorf	Düsseldorf	Hoefermann	
Essen	Essen	Dr. Vögler	Duisburg
Franken	Nürnberg	Völk	
Halle-Merseburg	Halle	Rahm	
Hamburg	Hamburg	de la Camp	
Rhein-Main	Frankfurt a. M.	Prof. Lüer	
Kärnten	Klagenfurt	Dr. Kern	
Köln-Aachen	Köln	Frh. v. Schröder	Aachen
Kurhessen	Kassel		
Magdeburg-Anhalt	Magdeburg	Sedlaczek	
Mainfranken	Würzburg	Dr. Strube	
Mecklenbrug	Rostock-Schwerin	Kapesser	
Moselland	Koblenz	Dr. Faust	
München-Oberbayern	München	Pietzsch*	
Niederdonau	Vienna	Dr. Weibel	
Niederschlesien	Breslau	Freiherr von Gregory	
Oberdonau	Linz		
Oberrhein	Karlsruhe-Strassburg	Köhler	Freiburg Mannheim
Oberschlesien	Kattowitz	Dr. Berve	
Osthannover-Lueneburg	Wesermunde-Lueneburg	Kohnert	

* temporary appointment

1/ See on the functions of the Economic Chambers, Franz Neumann, Behemoth, pp. 244-245

2/ See Deutsches Handwerk, June 5, 1942, Microfilm No. 239.

3/ See final decree of April 1, 1943, DAZ, April 4, 1943.

Gau Economic Chamber	Seat	President	Economic Chambers
Ostpreussen	Konigsberg	Ries*	
Pommern	Stettin	Fengler*	
Sachsen	Dresden		Leipzig Chemnitz Plauen
Salzburg	Salzburg	Gebert*	
Schleswig-Holstein	Lübeck		Kiel
Schwaben	Augsburg	Eisenmeyer*	
Steiermark	Graz	Koppitsch*	
Sudetenland	Reichenberg	Kiesewetter	
Südhann.-Braunschweig	Hannover	Hecker	Braunschw. Hildesheim
Thüringen	Weimar		
Tirol-Vorarlberg	Innsbruck	Schatz*	
Wartheland	Posen		Litzmannstadt
Weser-Ems	Bremen	Bollmeyer	Osnabrück Emden
Westfalen-Nord	Münster	Franke	Bielefeld
Westfalen-Süd	Dortmund	Klönne	
Westmark	Saarbrücken	Bösing*	Ludwigshaf.
Wien	Wien	v. Schoeller	
Württemberg-Hohenzollern	Stuttgart		

* temporary appointment

The district of the Gau Economic Chambers corresponds to that of the Party Gau and thus expresses the new organizational principle for the regional level discussed elsewhere.

The leadership principle prevails also in the new Chambers. The presidents and vice presidents are appointed by the Ministry of Economics after consultation with the party Gauleiter. Presidents and vice presidents must be full time entrepreneurs. The vice president shall as a rule be the Handicraft Master within the Party Gau so as to recompense German Handicraft for the loss of its own Chambers.

The Gau Economic Chambers are usually broken down into 4 divisions: Industry, Trade, Handicraft and Banking. In addition, a Department for the Direction of Public Contracts has been created with functions similar to the former regional clearing offices for public contracts. These Departments will be assisted by Fachbeauftragte (Trade Deputies), usually owners or managers of the most important firms. 1/

The regional organizations of the Groups retain their independence though they are incorporated into the Gau Economic Chambers.

A decree of April 14, 1943 2/ transformed the Aussenhandelsstellen (Foreign Trade Offices) into Aussenwirtschaftsabteilungen (Foreign Trade Departments) of the Gau Economic Chambers, so that the regional execution of foreign trade policies is now concentrated in the Chambers.

D. The National Economic Chamber

In pre-Nazi times there existed no body which integrated the regional and the functional organizations of German business. The decree of November 27, 1934, provided for such an integrating body by the establishment of the Reichswirtschaftskammer (National Economic Chamber). Members of the National Economic Chambers are now the 7 National Groups and the 41 Gau Economic Chambers, but not the National Transportation Groups and not the agricultural organizations. The German Handicraft Diet has been dissolved as a consequence of the disappearance of the Chamber of Handicraft. 3/ There exists thus an integration of the regional and functional organization of German business on two levels - on the national level through the National Economic Chambers, and on the regional level through the Gau Economic Chambers.

E. Leadership in Business Organizations

The leadership in the business organizations rests almost exclusively with big businessmen representing the most powerful combines in the German economy. In the Gau Economic Chambers, however, selection has been made also according to Party reliability. It is primarily industrialists who have joined the Nazi Party and have been active within it who have been made presidents and vice presidents of the Chambers.

1/ Frankfurter Zeitung, May 25, 1943
2/ Reichsgesetzblatt, part I, N. 44, according to Frankfurter Zeitung, May 5, 1943.
3/ Neues Wiener Tagblatt, March 24, 1943.

The National Economic Chamber

*L A. Pietzsch (Elektrochemische Werke AG)

*M Dr. Erdmann

a. National Group Industry

L (Leader) Wilhelm Zangen
Mannesmannröhren-Werke
Deputy: W. Schieber (Thür. Zellwolle)
M Dr. Guth (formerly trade association manager)

(1) Economic Group: Mining

L General Director Wisselmann (Preussag)
M Bergassessor a. D. Hoelling (Formerly Reichsverband der Deutschen Industrie)

(2) Economic Group: Iron Producing Industry

L H. Roechling (Röchling)
M Dr. J. W. Reichert (?) (General Manager, Vereinig. Deutscher Eisen-und-Stahlindustrieller)

(3) Economic Group: Metal Industry

L Otto Fitzner (?) (Schlesische Chemie)
M Dr. Erich Puff (formerly employee in combine of Ministry of Economics)

(4) Economic Group: Foundries (Giesserei Industrie)

L Director Langenohl (Deutsche Eisenwerke A.G. and Schalker Verein, Gelsenkirchen)
M Dr. Justus Schmauser (N.S. editor)

(5) Economic Group: Fuel

L Dr. E. R. Fischer (I.G. Farben)
M Dr. F. W. Ziervogel

(6) Economic Group: Iron and Steel Construction

L Dr. Ludwig Kessler (Maschinenfabrik, Esslingen A.G.; (Gutehoffnungshuette combine)
M Dr. Oelert (Manager, Deutscher Stahlbauverband)

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* L = Leader
M = Manager

(7) Economic Group: Machine Industry

L Otto Sack (Rudolf Sack K.G., Leipsig)
M Karl Lange (VDMA)

(8) Economic Group: Vehicle Industry

L Schaaf (Bayerische Motorenwerke)
M DR. E. Wehrle, Dr. P. Hufenbecher, O. Schirz

(9) Economic Group: Aircraft

L Konteradmiral Lahs (formerly president Reichsverband d. deutsch. Luftfahrindustrie)
M Generalsekretar Cesar (see above)

(10) Economic Group: Electrical Industry

L Dr. Waldemar Braun (Hartmann and Braun A.G. Frankfurt a.M.)
M Dr. Heinrich Ostermann

(11) Economic Group: Precision and Optical Instruments

L Paul Henrichs (Carl Zeiss)
M Dr. Karl Albrecht

(12) Economic Group: Finishing and Other Branches of the Iron Industry

L Karl E. Schroeder, Duesseldorf
M Hanns Putsch

(13) Economic Group: Iron, Steel and Sheet Metal Industry

L Karl Becker (Vereinigte Becker'sche Werkzeugfabriken)
M Dr. Bruno Pilz

(14) Economic Group: Metalwares

L Dr. Kurt Roth (L. and C. Arnold K. G. Schorndorf, Wuerttemburg)
M Dr. Ulrich Poelchen

(15) Economic Group: Stone and Earth

L Carl Peters (Anna = Werk A.G., Oeslau, r. Koberg)
M Dr. Eberhard Boehland

(16) Economic Group: Building Industrie

L Bruno Gaertner (Wayss and Freytag, Frankfurt)
M Dr. Karl Knecht

(17) Economic Group: Timber Processing Industry

L Dr. Emil Kuehn (Erwin Behr, Moebelfabrik, Wendlingen)
M G. Baum (Manager: trade association)

(18) Economic Group: Glas Industry

L Dr. C. M. Grisar (Gebrueder Putzler, Pensig, Oberlausitz)
M Assessor Luetke (trade association manager)

( ) Economic Group: Ceramic

L Dr. Hans Herbell /Vereinigte Mosaik und Wandplatten Werke A.G., Friedland-Leipsig (Sinzig)/
M Dr. Franz Wamke

(20) Economic Group: Sawmills

L F. Baldeweg (Director: Vereinigung der Saegewerke in der Goerlitzer Heide)
M Dr. Walther Wegelt

(21) Economic Group: Chemical Industry

L Dr. Johannes Hess (?) (Alexander Wacker, GmbH., Munich)
M Dr. C. Ungewitter (since 1920, Manager of trade association)

(22) Economic Group: Paper etc.

L Dr. Wilhelm Bracht (Aschaffenburger Zellstoffwerke)
M Dr. A. Luger

(23) Economic Group: Printing

L August Lorey (Buch und Tiefdruck GmbH., Berlin)
M Alexander Bartosch

(24) Economic Group: Paper Processing

L Dr. Karl Seeliger (Fritzsche-Hager-Sieke, Leipsig)
M Dr. Lorenzen

(25) Economic Group: Leather

L Ernst Ammer (owner, Reutlingen)
M Alfred Sauer (trade association manager)

(26) Economic Group: Textile Industry

L Dr. Weber (Government General, textile industry)
M Dr. Klaue (trade association manager)

(27) Economic Group: Clothing

L H. Tengelmann (Bernward Leineweber, Berlin, son of General Director T. E. Tengelmann)
M Otto Jung

(28) Economic Group: Foodstuffs

L Hugo Theunert (Kathreiner's Malzkaffee)
M Dr. H. G. Riese (trade association manager)

(29) Economic Group: Breweries

L Dr. Ernst Roehm (owner of brewery, President of German Brewery Association)
M Dr. R. Duehrssen (trade association manager)

(30) Economic Group: Sugar

L Robert Aumueller (Zuckerfabrik Delitzsch)
M Mayor (ret.) Finke, Halle

(31) Economic Group: Alcohol Industry

L Okonomierat Richter (President of Producers' Union)
M Dr. Jacobsen (formerly in Finance Ministry)

b. National Group: Handicrafts

L Ferdinand Schramm (former position)
M Professor Dr. Ing. Hotz

c. National Group: Trade

L Dr. Franz Hayler (F. Sitterbauer, Munich, Deputy-President of Hauptgemeinschaft des Einzelhandels)
M Otto Ohlendorf

d. National Group: Banking

L Otto C. Fischer (Merck, Finck & Co.)
M Dr. Friedrich Pfeffer

e. National Group: Insurance

L E. Hilgard (Allianz)
M H. D. Naumann (Rechtsanwalt)

f. National Group: Power

L Oberburgermeister Just Dillgardt (RWE and Commissioner General for Power under the Four Year Plan)
M Dr. H. Egger

g. National Group: Tourist Industry

L Hermann Esser (Nazi Party official)
M Dr. Schuermann

The Six National Transportation Groups

(1) Ocean Shipping

L John T. Essberger, Hamburg (Reederei Essberger)
M Dr. E. Gramcko

(2) Inland Shipping

L Joh. W. Welker, Duisburg (Franz Hamel, GmbH.)
M Erich Schreiber

(3) Motor Transport

L W. Benninghoff (B.V.G., Berlin)
M Dr. Frank

(4) Rail Transportation (except German Reichsbahn)

L Stadtrat Engel, Berlin (Nazi Party official)
M Dr. Willenberg

(5) Transportation and Storage

L Dr. Ludwig Doeberl (Bavaria Lagerhaus)
M Dr. Wolfhart Schliching

(6) Auxiliary Transportation Industry

L Dr. E. Kipfmueller (Hapag)
M Dr. S. Kolanowski

F. Cartels and Reichsvereinigungen

1. Cartels

Cartels are associations of independent enterprises for the control of the market. Three basic cartel types are possible in accordance with the three economic functions that an enterprise fulfills, namely: The purchasing cartel which manifests the organized effort to obtain through collective buying cheaper prices or better conditions; the production cartel (also called the finishing cartel) for the exchange of experiences in production with the goal of rationalizing and thereby cheapening production; and finally, the marketing cartel, the prevailing type of cartel organization - it has been highly developed and is highly differentiated.

a. Cartel Setup. The most common form of the marketing cartel - though not at all the most influential - is the price cartel (often called simple price cartel), fixing minimum sales prices for its members. Its methods are crude, however, and can successfully be applied only if the commodities are highly standardized. Some similar effects may be produced by the condition cartel (Konditionenkartell) which regulates the conditions under which sales to customers must be made. This type still plays a considerable role in the textile industry.

Quite recently the calculation cartel has come into the foreground. It corresponds roughly to the American open price association. 1/ Its members agree on a specific ratio between costs of raw materials, cost of manufacture, and overhead costs.

The manipulation of the prices can be achieved indirectly by the quota and regional cartels, and the syndicates. The quota cartel operates by allocating to each member of the cartel either a production or a sales quota. Members exceeding the production or the sales volume allowed to them are liable to disciplinary action as provided for in the cartel charter. The regional cartel divides the territory and allocates to each member a specific and closely defined area for exclusive exploitation.

The regional cartel is in most cases a holding cartel; that is to say, it is composed of a number of cartels which have joined into a national cartel in which each sectional organization has been allocated one specific region (e.g., cement union, the coal and potash cartels).

1/ See S. Tschierschky, "Zum Problem des Kalkulationskartells," in Kartell-Rundschau, 1936, pp. 156-161.

The highest type of organization is the syndicate, a cartel with a centralized sales apparatus. The right to sell is, with certain exceptions (such as the right to supply the neighborhood), transferred to a central sales agency. Coal, for example, is not sold by an individual operator but by the syndicate itself which, according to the charter, then distributes the sales among its members. Syndicates, as a rule, are price, condition, regional and quota cartels in one.

This briefly sketched cartel structure is characteristic of the German economy. The relevance of the individual types cannot be described in statistical terms. The number of cartels has been estimated: in 1905, at 385 (Government inquiry); in 1925 and early 1942, at 2,500 (Government). 1/

The Reich Group Industry reported in 1937 the existence of 1,700 industrial cartels, 2/ and the Trade Group Private Insurance mentioned the existence of 20 insurance cartels in 1938. 3/ All these figures are more or less meaningless, however, since they do not take into account the composition of the membership or the range of the cartels, which, due to the incorporation of foreign countries, has been considerably extended without adding to the number of the cartels. As meaningless is the report that between the outbreak of the war and December 1940 about 20 new cartels have been set up and between 20 and 30 have been dissolved. 4/ More important is the estimate of the Institut für Konjunkturforschung 5/ that all raw and semifinished good are bound by cartel agreement or monopoly.

b. Cartels and Monopolies

Since cartels are composed of independent businessmen, one might believe that they are the ideal form for protecting the interests of the small and middle businessmen. Indeed, this claim is frequently made, and the existence of the cartel system is justified in exactly these terms. They are thus described as genuinely democratic 6/ organizations composed of free and equal businessmen who have joined forces against the most powerful business combines. Though it may be readily admitted that occasionally cartels really are such protective organizations against

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1/ See Regulation of Economic Activities in Foreign Countries, Monograph No. 40 of the TNEC, Washington, 1941, p. 39.
2/ Kartell-Rundschau, 1937, p. 372.
3/ Werner Berger in Kartell-Rundschau, 1938, p. 124.
4/ Kartell-Rundschau, 1940, p. 95.
5/ Wochenbericht des Instituts für Konjunkturforschung, 1936, p. 198.
6/ Thus Lujo Brentano in Schriften des Vereins fur Sozial-politik, vol.60 (1894), and Rudolf Isay (outstanding German cartel lawyer of the Weimar Republic) in Verhandlungen des 35. deutschen Juristentags, Berlin and Leipzig, 1928, vol. II, pp. 708-709.

monopolies, all really powerful cartels are, on the contrary, tools of monopolistic businesses which utilize this allegedly democratic form of business organization to carry out their own policy. A simple consideration will make this clear. All important cartels are quota (regional) cartels (or syndicates). The voting power in the cartel depends upon the quota. The bigger the quota, the higher the voting power. It is the biggest combine, the one with the highest number of votes, which determines the cartel policy.

c. Cartel Law

This will become apparent in a closer analysis of the German cartel legislation. Such an analysis is inevitable, because German and American conception differ widely. Cartels appeared to the German courts as the exercise of the freedom of contract - and were thus held legal; besides, a combination of individuals was asserted not to violate the principle of freedom of trade. 1/ Only under two alternative conditions may a cartel (or specific cartel practices) be void: If section 138 or section 826 of the Civil Code is violated, i.e., if a cartel agreement violates good morals, or if the cartel intentionally injures a third party by violating good morals. No case is reported which held a cartel contract or some cartel action immoral and therefore void. From the very beginning, the courts have fostered the growth of the cartel movement. It appeared to them as a higher form of economic organization - proof of how little headway the doctrine of classical liberalism had made in Germany. Up to 1923, there was no single statute dealing with cartels, whereas cartels received a powerful stimulus during the First World War when they became organs of the war economy.

1/ Supreme Court, June 25, 1890, R. G. Z., vol. 28, p. 244.

The inflation destroyed many independent middle-class firms and redistributed property by expropriating the poor and enriching the rich. For the first time, a passionate public sentiment was aroused against the cartel and monopoly organizations of industry. Something had to be done. On November 2, 1923, a "cartel decree" against the misuse of economic power was promulgated.

The cartel decree, however, fulfilled none of the hopes it had raised. If it did anything, in fact, it strengthened the existing industrial structure and gave it official sanction.

The decree gave official statutory recognition to the cartels -- the first time this had been done -- and subjected them to control. It provided for a special cartel tribunal that would have jurisdiction in all disputes between the cartels and the Reich Government, among cartel members, and between cartel and outsiders.

The kernel of the cartel decree was the establishment of direct state control, a measure which proved to be entirely hollow. Section 4 reads:

> If any agreement * * * or any particular mode of its observance endangers the economic life of the community as a whole, the Minister of Economic Affairs shall be empowered: (1) To file a motion in the cartel tribunal to the effect that the agreement * * * shall be declared void or that the particular mode of carrying it out shall be forbidden; (2) to order that any interested party may quit the convention or withdraw from the agreement at any time and without notice; (3) to order that a copy be sent to him of all arrangements and measures made in pursuance of the said agreement or convention and that these measures shall not take effect until such time as this copy shall have been received by him.
>
> Economic life as a whole or the good of the community shall be held to be particularly endangered if methods not economically justified be applied to the restriction of production or sale or to the increase or maintenance of prices, or if, in the case of stabilized prices, additions be made to cover risks, or if economic freedom be unfairly prejudiced by impediments to purchase or sale, or by the fixing of discriminatory prices or conditions.

The initiative apparently rested with the Minister of Economic Affairs, and, since he was responsible to parliament, with parliament. Not one, however, of the 210 decisions which the cartel tribunal published up to August 1933 deals with section 4 of the cartel decree.1/ At the same time, section 10 of the cartel decree permitted the Minister to take action against "trusts, syndicates, cartels, concerns, or similar associations," in short, against any monopolistic position, whatever its legal and organizational form. It empowered the cartel tribunal, on motion of the Ministry, to permit any party to withdraw from its agreement with a monopoly as he is in seeing his agreement fulfilled under adequate conditions. But, if adequately handled, this section could have become a means of attacking the monopolists' position. And yet not a single decision was based on section 10, either.

The combines had nothing to fear from the State. They therefore concentrated their efforts on nullifying those provisions of the cartel decree which protected the weaker members and outsiders. Section 8, for instance, permitted any cartel member to withdraw without notice from the cartel if the cartel tribunal decided there was sufficient reason. Section 9 placed certain restrictions on the boycott weapon which the cartels used against members who violated cartel discipline and against outsiders who refused to play ball with them. The use of boycott included a very wide range of instruments; Admonitions, fines, forfeitures of pledges, expulsions, stoppage of supplies, of transport facilities, and of credits, differential treatment, etc. Section 9 stipulated that these and similar measures could not be applied without prior consent of the president of the cartel tribunal against whose decisions an appeal could be taken to the tribunal itself. German industry fought bitterly against what it called the "preventive censorship" of section 9, chiefly basing itself on the argument that recognition of cartels also entailed recognition of all the legal means that were necessary for them to exist.

4. Cartel Policy in the Great Depression

The restrictive system had to stand the test of the great depression in 1930. It was near collapse. A number of cartels dissolved. Production sagged to such an extent that many cartel members frantically tried to leave the cartels so as to reestablish their competitive freedom.

1/ See list of decisions in Rudolf Callmann, Das Deutsche Kartellrecht, Berlin 1934, pp. 705-708.

The cartel policy from 1930 to 1933 was characterized by the most contradictory features. It began with a Presidential decree of July 26, 1930, which was allegedly directed against the system of "bound" or fixed prices.

This decree gave the cabinet power to void existing cartel agreements or parts of agreements and to enjoin the cartels from carrying out certain practices. Not only does it include genuine cartel agreements but it also voids "vertical agreements," and further, all agreements and devices which have similar economic effects though not strictly within the range of the decree, such as gentlemen's agreements or recommendations of an assembly of entrepreneurs. Finally, the cabinet was empowered to lower or abolish tariffs in order to facilitate the dissolution of cartels or a reduction in prices. The official release accompanying the decree complained of the dislocation in the relation of prices and services and asserted that recovery was hindered by the cartel and price system.

This emergency decree differs from the earlier cartel decree. The emergency decree completely destroyed the powers previously granted to the cartel tribunal. The Reich Government could now act without filing a motion with the cartel tribunal.. It was argued that the cartel policy is part of the national economic policy and that no independent court should be allowed to interfere with governmental policy.

Effects of the decree were meager indeed. It led to the dissolution of but one cartel, the lignite cartel, which had been attacked for many years and investigated by a special commission which charged it with wholly unreasonable practices. The decisive new power given to the cabinet to lower or abolish tariffs in order to break down cartel prices was never applied.

The failure of the emergency decree soon led the Government to seek other ways of breaking down the price structure of the cartels. On the basis of the Presidential Emergency Act, the Cabinet issued a decree on January 16, 1931, attacking the price structure of trademarked articles.

On December 8, 1931, the President issued a fourth emergency decree cutting all fixed prices to 10 percent below the level of June 30, 1931. This meant a reduction in all cartel prices, whether of trademarked articles or not. At the same time, several emergency decrees also cut the wages fixed in the existing collective agreements, and thus adjusted wages to the new price structure.

5. Nazi Cartel Law Strengthens Cartels

The National Socialist regime at once saved the tottering cartel system by two statutes, both enacted on July 15, 1933, the one changing the cartel decree of 1923, the other introducing compulsory cartelization.

The first cartel statute aimed at strengthening the state's influence over the cartels, while at the same time fortifying the power of the cartels over the members and over outsiders. This dual aspect, stronger state control over stronger cartels, is the main content of the National Socialist cartel policy. The changes in the cartel decree of 1923 consisted of the exclusion of the cartel tribunal from control over cartels. Whereas sect. 4 of the cartel decree merely allowed the Reich Minister of Economic Affairs to sue a cartel before the cartel tribunal, the new section 4 transfers power of interference to the Ministry directly.

The Minister of Economic Affairs may now, at descretion, void a whole cartel agreement or parts of it, or he may prohibit a particular mode of its observance (sec. 4, No. 1); or he may order that any interested party may at any time withdraw from such convention (sec. 4, No. 2); or he may order that a copy be sent to him of all agreements and arrangements and thereby postpone the enactment of cartel measures (sec. 4, No. 3) The new act thus takes over the provision of the presidential Emergency Act of July 26, 1930, and makes it a permanent feature of the cartel control.

It is not easy to judge the new enactment. It could not possibly be a result of the cartel tribunal's failure to apply section 4, No. 1 of the cartel decree of 1923, since no single case had ever been brought before the tribunal from 1923 to 1933. The powers vested in the Ministry by the old section 4 were resorted to on only three occasions in 10 years, and only powers based on section 4, Nos. 2 and 3, were invoked--but not a single motion of the Ministry came before the tribunal. 1/

1/ The three cases were: (a) against "brick cartel", Oct. 5 1925, see Kartell-Rundschau, 1925, p. 599: Sec 4, Nos. 2 and 3: (b) against "coal trade cartel," March. 20, 1926, see Kartell-Rundschau, 1926, p. 233: Sec. 4, Nos. 2 and 3; (c) against iron cartels, January 27, 1928, see Kartell-Rundschau, 1928, p. 83: Sec 4, No. 3.

The elimination of the cartel tribunal from the State control over cartels may be attributed to three reasons. First, there was a tendency to integrate cartel control into the total fabric of the Government's economic policy. This could be achieved only be excluding judicial and semijudicial considerations which were of a more or less questionable nature, anyway, since the concepts Gesamtwirtschaft and Gemeinwohl (economic life of the community as a whole, and common weal), the violation of which constitutes the basis for an adverse judgment of the cartel tribunal, cannot be rationally defined. Second, the exclusion of the cartel tribunal also guarantees swiftness of decisions. The attacked cartel, if it were merely sued before a tribunal, could drag out proceedings by constantly adducing new proofs and materials. Third, the concentration of the cartel control with the Minister insures secrecy -- a vital concern for both the State machinery and the cartels. It gives ample leeway for the bargaining between the bureaucracy and the industry monopolies.

While thus strengthening the State's power over the cartel, the statute of July 15, 1933, equally fortified the disciplinary power of the cartels over members and outsiders alike. This organizational power resides in section 9 of the Cartel Statute. The statute of 1933 added one significant provision to Section 9, a provision which has turned out to be the major instrument for incorporating the whole economy into the network of the cartels and for "combing out" submarginal entrepreneurs. As mentioned above, section 9 of the 1923 decree made the execution of boycotts or similar measures against cartel members and outsiders dependent upon the consent of the president of the Cartel tribunal, who had to refuse consent if the boycotting measure endangered the economy as a whole or unjustly limited the economic freedom of the threatened entrepreneur. The addition of 1933 reads:

> No unreasonable restriction of economic freedom exists if the business of the party concerned is managed by persons who do not have the reliability necessary in business. It amounts to unreliability if, in the business of the party concerned, commodities and services * * * are offered or sold at prices which must be held economically unjustified in view of the interests of the business as well as those of the national economy * * * and if a continuation of such price practices is to be expected.

This death sentence against the "chiseler" is decreed by the cartel after it has secured the consent of the president of the cartel tribunal. 1/ The means of the threatened entrepreneur to defend himself against such death sentence have been considerably curtailed. The "preventive censorship" of the cartel tribunal, although it has not been completely suspended in conformity with the wishes of industry, has been weakened. Under the old law, the threatened entrepreneur could, if the president of the tribunal consented to the boycott against him, appeal to the full tribunal. This appeal had suspensive effect. A special decree of September 5, 1934, provided that the filing of a motion with the full tribunal by members or outsiders, once the president had consented, no longer had such suspensive effect, so that the boycotting measure could be carried out at once. The tribunal still can, however, require a deposit before the boycotting measure is put into effect.

The statute of 1933 thus reveals the basic cartel policy of the regime: Recognition of the cartel as a higher form of industrial organization, superior to "free" competition, and, therefore, strengthening of the organizational power of the cartel over members and outsiders alike--while, at the same time, the cartels are subjected to direct State interference without the mediation of independent administrative or semi-judicial agencies.

6. Compulsory Cartelization

Yet, if the cartels were to become agents of the Government's economic policy, provision had to be made to create them even where there was unwillingness to cartelize a branch of trade and industry. The second cartel statute of July 15, 1933, provided this power. It vested in the Minister of Economic Affairs the following powers: (a) to create cartels compulsorily; (b) to attach outsiders against their will to existing cartels; (c) to prohibit the setting-up of new establishments; (d) to prohibit the expansion of new establishments (in size as well as in capacity); (e) to regulate the capacity of existing enterprises.

1/ The cartel tribunal was abolished by statute of February 27, 1938 (R. G. Bl., I. p. 216) Since July 1, 1938, its functions have been assumed by the Reich Economic Tribunal (Reichswirtschaftsgericht) which has simply installed one of its senates as cartel tribunal. The personnel of the former cartel tribunal, so far as can be ascertained, has been taken over. The change is practically without any significance.

Compulsory cartelization is nothing new in German economic history. A number of such compulsory cartels had been created before. While, however, compulsory cartelization under the Weimar Republic was the outcome of long discussion, and was only reluctantly enacted by Parliament, the new act gives sweeping powers to the Minister of Economic Affairs. The compulsory cartel act offers the first provision forwhat has been called a positive cartel policy.1/ What is meant is that the new powers vested in the Minister of Economic Affairs go far beyond mere police power over cartels. They do not merely aim at fighting abuses but make the cartels organs of a conscious economic policy. Cartels, from mere agents of Marktregelung--that is organs for dominating a market--have been transformed into organs of the new Marktornung, i.e., organs of planning or, at least, centrally organizing the economy.

By creating cartels, attaching outsiders, controlling capacities, licensing new establishments or the expansion of existing ones, the Government may , indeed, if it has a plan of a fixed goal with a general purpose, turn the cartels, organs of waste, into agents of a planned production and distribution.

It is this aspect of the National Socialist cartel policy which necessarily deserves closer study.

The new powers, if exercised, must by necessity strengthen the cartels. Entrepreneurs who, by tradition or necessity, were hostile to cartllization, are now compulsorily incorporated into private power groups. "The compulsory measure gives the organizations, with the help of the State, powers which they could not attain on a voluntary basis." 2/ Through compulsory cartelization and compulsory joining of new members, more rationally operating plants are often sacrificed to the benefit of those working less rationally.

1/ Claire Russell, "Die Praxis des Zwangskartellgesetzes," in Zeitschrift für die gesamte Staatswissenschaft, vol 97 (1937), p. 500.

2/ Russell, Ibid.

Here and there, the Government also resorted to introducing compulsory cartels by special statute, usually in cases where special conditions rendered necessary a closer cooperation between industry and Government.1/ In this first stage, the Minister occasionally utilized powers vested in him by Section 4 of the new cartel act. A few cartels were dissolved; 2/ in a few other cases, the execution of special cartel provisions, 3/ usually price regulations, was prohibited. This, however, leads us to the second phase of the National Socialist cartel policy, Schacht's New Plan.

The economic consequences of control of foreign exchange (and, implicitly, raw materials) led to a strengthening of the State's influence over the cartels, outside of the two cartel statutes of 1933. The new plan was foreshadowed by the Statute on Economic Measures of July 3, 1934, which granted the Minister of Economic Affairs very wide powers. ("The Reich Minister of Economic Affairs is empowered to execute measures within his departmental realm which he deems necessary for furthering the German economy and for preventing or abolishing economic injuries * * *. The measures enacted may deviate from existing laws.") The above-mentioned decree of September 5, 1934, widening the organizational power of the cartels, is based upon this enabling act. The Minister's discretionary power was thus at once utilized for strengthening the position of the cartels--but during the ensuing period the authority of the State over them was considerably extended.

For increasing Government intervention, when raw materials are scarce, must be directed against cartel prices. In consequence, cartel prices (and sales conditions) have been subject to special treatment ever since the New Plan went into operation. Four such legislative enactments are of major importance:

(a) The decree of December 11, 1934 4/ made the price

1/ For instance, the compulsory cartel in inland navigation based on the Act for Overcoming, etc., of June 16, 1933 (R. G. Bl., II, p. 717), and the 24th executive decree of July 8, 1937, in Kartell Rundschau, 1937, p. 336.

2/ E.G., in the pencil industry because of too high prices; see Kartell-Rundschau, 1935, p. 300.

3/ E.G., wholesale trade of electrical appliances, August 12, 1935, Kartell-Rundschau, 1935, p. 705. Cellulose wool cartel, July 1, 1935; see Kartell-Rundschau, 1935, loc. cit.

4/ Verordnung über Preisbindungen und gegen Verteuerung der Bedarfsdeckung.

"madeng" of cartels or similar organizations, whether organized under private or public law (compulsory cartels), dependent upon the Minister's consent. The decree applied not merely to prices but also to rebates, retail prices and trade margins, commodities and services. It specifically exempted wages and salaries. It left the existing prices and sales conditions untouched but prohibited any change that could be detrimental to consumers or retailers.

(b) A second decree of the Reich Price Commissioner of the same date 1/ imposed upon cartels the duty to register with the Price Commissioner new price agreements or changes of existing ones.

(c) The decree of the Price Commissioner of March 29, 1935, prohibited bidding cartels (Submissionskartelle) as far as bids for Government orders were concerned.

(d) The decree of the Reich Price Commissioner of November 23, 1940 2/ finally codified the price law of cartels. Price and other condition cartels, horizontal or vertical resale price maintenance schemes, can be made or changed only after the consent of the Price Commissioner has been secured. Cartels and syndicates have to register the existing price agreements at the beginning of each year. Bidding agreements for public orders are valid only with the consent of the Commissioner. No consent is necessary for such prices as have already received his approval. Combines and trusts are exempt from the decree. All previously mentioned decrees are abrogated.

While the price policy toward cartels is thus, on the whole, in line with the freezing policy of the Government, it has special features which will become more apparent when we study the functioning of the cartels as organs of the Marktordnung, of a centrally organized economy.

(e) A decree of July 27, 1942 3/ ordered the lowering of all cartel prices by 10 percent, while at the same time, prices of individual cartels were examined and lowered if the Price Commissioner found them to be too high 4/.

1/ Verordnung über die Einsendepflicht von Preisbindungen

2/ R. G. Bl., I, p. 1573, and Kartell-Rundschau, 1941, p. 13.

3/ i.e. Neue Zuercher Zeitung September 21, 1942

4/ Inforce since August 1, 1942 see Frankfurter Zeitung August 1, 1942, Microfilm 265.

8. Cartels Create New Industries

Cartels are, however, also--and, for our purpose, even primarily--instruments of a deliberate governmental policy. To describe the aim of that economic policy merely by saying that its goal is the highest possible productivity, especially in armament goods, would be the mere repetition of a commonplace. What is more important, is to understand the methods and mechanisms of transforming organs for the restriction of capacity into agents for increasing it. To say that it is the totalitarian power of the State which has brought about this change is equally meaningless. For it is undoubtedly not the SS man who, at the point of his gun, threatens the cartels to increase production; it is not, in short, police power that has achieved this change.

But if it is not coercion, it can only be the utilization of trends already apparent before in the German economy, trends which do not violate the profit incentive of the entrepreneur and the entrepreneurial organization, but rather acknowledge, nay, stimulate it, and merely eliminate, from this basically unchanged system, those accidents that threaten from time to time or even permanently a highly organized and hyper-sensitive economic system.

Starting from this assumption, we have first to analyze the function of the cartel as a device for creating new industries.

New industries (cellulose wool, hydrogenation of coal and lignite, synthetic rubber) can be created in three different ways:

(a) The State may itself put up the necessary capital. It may then construct the plants and operate them, it may construct the plants and lease them, or it may lend capital to one or several combines for the purpose of constructing and operating them. This is not the usual way in Germany.

(b) The existing industries may themselves construct and operate the plants, either out of their own funds (undistributed profits) or by borrowing. Both methods have been applied. The powerful combines have indeed invested considerable sums in new industries: The I.G. Farben in cellulose wool and hydrogenation; Bemberg in cellulose wool; Wintershall in lignite hydrogenation; Thyssen in coal hydrogenation (Gelsenberg-Benzin). Since undistributed profits have tremendously increased from 1933 to 1939, a large number of new plants have arisen, belonging to the already powerful trusts.

(c) This, however, may not be sufficient. There are medium-sized and small plants with some reserves which they cannot utilize by themselves because they are not enough to finance investments. Such reserves are mobilized for new industries through compulsory levies, as shown above (cf. section on self-help), and here again cartels can be useful agents. To give an example: On September 28, 1934,1/ the Minister of Economic Affairs, by a decree based on the above-mentioned Statute on Economic Measures of July 3, 1934, created the Compulsory Economic Community of the Lignite Industry. The aim of this compulsory cartel was the financing of a new joint-stock corporation for the production of synthetic benzine. Every producer of lignite with an annual output of 400,000 tons or more had to join the compulsory community. The community is administered by a Government appointee. Members have to contribute according to a graduated plan. Small lumps of capital are thus compulsorily utilized for the erection of giant plants which are controlled by a mere handful of powerful combines, since the German corporation law completely subordinated the interests of minorities to the management.

The cartel form here serves completely unorthodox functions. It no longer regulates the marketing of commodities but serves as a tool for ppoling the savings of independent enterprises in order to finance new inoustries.

This use of the cartel form has reached a new phase during the war. A decree on Community Works of September 4, 1939,2/ empowers the Reich Minister of Economic Affairs to combine enterprises and cartels for purposes of community production. This power far exceeds the rights vested in him by the Compulsory Cartel Act of 1933. When creating compulsory cartels under this act, the Minister could only join unwilling enterprises. He could restrict capacities and prohibit plant expansion. But he could not command the newly created cartel to engage in a new kind of production. This is, however, exactly what the new decree allows him to do. The Minister may forbid any cartel or any single manufacturer to continue in its or his previous activity, and he may order

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1/ R. G. Bl., I. No. 110.

2/ Verordnung über Gemeinschaftswerke. See Leonhard Miksch, "Die deutsche Kriegswirtschaft," in Die Wirtschaftskurve, 1939, No. IV, pp. 327-337, esp. p. 334.

the newly-created cartel to take up a completely new line of production. In contrast to all previous decrees, this decree grants indemnification to all entrepreneurs that have suffered a loss through the prohibition of their production. These powers have been utilized in a few cases.1/

9. Agents of Rationalization.

Rationalization is made possible by a wider use of the calculation cartels. The calculation cartel has, foremost, an educational function. It compels many, especially smaller industrialists, to pay attention to cost sheets. The education for preparing such cost sheets is the task of the Groups, according to the cartel ruling of the Minister of Economic Affairs of November 12, 1936. The Groups have the duty to encourage their members to estimate carefully, to use forms, and not to sell below cost.

This task of the Groups is sanctioned by the Decree on Competition of December 21, 1934. 2/ This decree threatens with imprisonment or fines anyone who, by misusing his credit or by maliciously violating his duties toward the State, his employees, or his creditors, sells his commodities or services below cost, if such practice has resulted in compelling him to go into bankruptcy or to cease payments. An industrialist who fails to meet his taxes, wages, or obligations to his creditors because he has sold below cost may be sent to prison for an unlimited period.

The power of the Groups and the new penal bankruptcy law provide the background for the new cartel form. The new calculation cartels, especially for smaller businessmen, 3/ thus provide the duty of cartel members to calculate their production costs, to use forms, to report deviations from the

1/ Fur industry, blades, scythes, etc.
2/ Verordnung über den Wettbewerb.
3/ Junghans, "Zur Frage der Kalkulationskartell," in Kartellrundschau, 1936, p. 375. Berthmann, "Kalkulationskartell und Kalkulationsgemeinschaft," op. cit., p. 587. Tschierschky, "Zum Problem der Kalkulationskontrolle." in Die Wirtschaftskurve, 1937, pp. 208-221.

cost sheets, to add to the cost sheets a fixed percentage for overhead and profits. 1/ Many of the mentioned calculation cartels are, of course, more than mere calculation cartels. They sometimes, in addition, are price cartels. Time and again, however, the power of the cartels is not strong enough to enforce rigid adherence to calculation. This is especially true of retail trade. In this case the Groups themselves turn into cartels. Ordinarily, according to the cartel ruling of November 12, 1936, Groups are forbidden to engage in marketing activities. Exemptions may, however, be granted. The Trade Group Collective Buying 2/ has been given the right to engage in marketing activities, and the Reich Groups Trade and Industry have, on October 28, 1936, entered into an agreement stipulating the conditions for delivery and payment for the following trades in the leather industry: wholesale, import and export trade, retail trade, and collective buying.

The tendency to unify and simplify the cost sheets, to compel adherence to the calculation patterns recommended by the Groups and/or imposed by the cartels, has undoubtedly received an extraordinary stimulus by the price-control policy of the Government. Calculation certainly has been made more lucid, and many of the so-called production or trade secrets, so anxiously preserved in previous times, have become public and subject to control.

This, however, is merely a minor aspect of the rationalizing function of the cartels. The trend goes much farther without having reached the limit, without even having touched the kernel, industrial production proper. But in the sphere of distribution the process has gone on to considerable length. Let us summarize the rationalizing functions of the trade cartels: (a) they eliminate the "unreliable" traders; (b) they eliminate the "unrationally" working traders; (c) they clearly divorce production, wholesale, and retail from each other.

1/ The following calculation cartels have been reported: (a) The national cartel of the glaziers (peak cartel); see Miksch, op. cit., p. 223. (b) the compulsory cartel of the printing industry; see Kartell-Rundschau, 1935, p.753. (c) The cartel of the central-heating and air-conditioning industries; see Miksch, op.cit., p. 215. (d) The cartel of the radio manufacturers; see Kartell-Rundschau, 1938, p. 305; 1940, p. 321. There are, of course, many more.

2/ Fachgruppe Gemeinschaftseinkauf, October 23, 1936. See Kartell-Rundschau, 1937, pp. 132, 211.

By doing this, the new cartel policy has definite economic and social functions: (a) it tends to improve the economic status of a selected group of dealers; (b) it tends to simplify and cheapen the machinery of distributing goods; (c) it furnishes labor power.

10. The Control of Cartels and their Relation to the Groups.

(a) Cartels have indeed become the organs for attaining full employment with the collaboration and under the pressure of the sta te. As a consequence, they have become the primary device for enlarging the powers of the big combines. Some Nazi writers have attacked "the process of degeneration and falsification caused by the corruption of the state by the cartels" 1/

As a result of the rising complaints about the subjugation of the Groups by the cartels, the relation between the two organizational forms was redefined. The Statute of February 27, 1934 forbade the Groups to engage in marketing actionties, that is to exercise cartel functions. A ruling of the Minister of Economics warned the cartels to avoid confusion with the Groups.

On November 12, 1936 the Minister of Economies issued his famous reform edict with the purpose of clearly dividing cartel and group functions. Since many cartel managers had become Group managers, he insisted that the two offices should be separated, in order to "secure the impartiality" of the Group managers. The National Economic Chamber was directed to report to him till April 1, 1937 how far there was still the same personnel occupying the leading positions in the Groups and cartels, and whether this identity of personnel was necessary. Nothing has ever been heard of such a report by the National Economic Chamber.

The edict finally subjected the cartels to the supervision by the Groups. The Groups, the edict runs, "built upon compulsory membership and the leadership principle, with their general economic tasks, stand above the marketing

1/ Franz Boehm, Wettbewerb und Monopolkampf, Berlin, 1933 pp.X, 358.

organizations and not beside them. I therefore intend to enlist the aid of the groups for supervising the marketing organizations, a task which up to the present, has been carried out by myself . . . The self-government of industry shall feel itself responsible for seeing that the marketing organizations, in all their measures, act in accordance with the economic policy of the Reich government". 1/

Future developments have, however, reversed the relation between cartel and Group, have wiped out the differences and approximated their status in the framework of legislation and administration. 2/

(b) On November 20, 1942, 3/ the following decree was enacted:

(1) "The Minister of Economics is authorized. . . to give general or individual orders to enterprises which essentially influence the market due to their legal or factual position . . . if, by the use of their influence, they injure the national economy or any specific enterprise."

(2) The Minister of Economics is further authorized to make the conclusion of cartel agreements dependent upon his consent.

(3) The Minister of Economics may interfere with existing cartel agreements.

The legal controls are thus complete. Trusts, cartels, monopolies, in whatever form they are organized, may now be given general or individual orders. The Minister may interfere with existing cartel agreements.

(c) The new powers have been used to "rationalize the cartel system." Many of the 2300 cartels have been dissolved, or rather incorporated into larger units, that is the cartel system is being streamlined. Only 500 cartels are expected to remain 4/ . This special power was vested with the Minister of

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1/ Kartell Rundschau 1936, pp. 753-760.
2/ see below p.
3/ Die Deutsche Volkswirtschaft 1942 No. 32.
4/ Deutsche Berswerkszeitung, April 21, 1943.

Economies by the Cartel Combing-Out Decree of October 27, 1942. 1/ In the Synthetic Fiber industry, the four cartels (acetate cartel, rayon cartel, clearing offices for rayon and cellulose wool) have dissolved and transferred to the National Association Chemical Fibers (Die Deutsche Volkswirtschaft, 1942, No. 32). In the textile finishing industry, 20 cartels (that is, half) have been dissolved, the remaining have been transferred to the National Association (Der Neus Tag, November 8, 1942).

The most important change occurred in the steel cartel, the kernel of industrial power. The old "Rohstahlgemeinschaft" founded by Emil Kirdorf has been dissolved. The "Eisen und Stahlwerkgemeinschaft in der Reichsvereinigung Eisen" abbreviated ESGE has been founded as a central syndicate which will sell iron and steel to consumers, fix the prices, control exports and imports and enter into cartel agreements with other cartels. The new steel cartel is incorporated in the National Association Iron and Steel, but remains more or less independent. Remarkable is the change in the leadership. The president of the United Steel Trust (Poensgen) is out. He had already been deposed as leader of the Economic Group Iron Making Industry and had not been made president of the National Association Iron, a position assumed by the Saar industrialist, H. Roechling. The steel cartel leader is Wilhelm Zangen, president of the National Group Industry. He is assisted by a younger generation of steel captains from the biggest combines: Steel Trust, Flick, Hoesch, Arbed and the Protectorate. Poensgen has been made honorary chairman (see Koelnische Zeitung, December 18 and Frankfurter Zeitung, December 20, 1942.

The number of cartels in the sphere of the Economic Group Food Processing and Related Industries has been substantially reduced. Of 124 cartels, only 20 remain. 2/ A Decree of the Minister of Economics of July 5, 1943 3/ dissolved 35 cartels for "Metallhalbzeuge" (Semi-finished Metal products.) This process is still going on.

1/ Europakabel January 8, 1943.
2/ News Digest No. 1200, July 31, 1943 P. 12
3/ Deutsche Bergwernszeitung, July 11, 1943.

(d) An appeal of Wilhelm Zangen, leader of the National Group Industry, and of Walter Schieber, deputy leader asked for the abolition of quotas in the cartels and syndicates. The appeal was justified by the fact that quotas had lost their meaning in a period of full production. Only the productivity of the cartel member and not an acquired right should henceforth be the standard for the allocation of production within the cartels. Though the regulation is allotted in the form of an appeal, it is tantamount to an order, and Zangen added that violations of his appeal will be considered a severe violation of the war duties. 1/ The appeal does not create a new economic situation, because the quota system had long given away to the requirement of full employment. It had severe consequences for the internal financial action of the cartels. It no longer compels those cartel members who exceed their quotas to pay indemnifications into the cartel treasury, while those cartel members who do not reach their quotas are no longer entitled to indemnification from the cartel treasury. Since the comb-out has affected primarily small and medium sized firms, it is they who have to bear the financial burdens resulting from the abolition of the quotas.

The rationalization of the cartel structure has entailed no redefinition of the relation between cartel and Group. This was achieved by a decree concerning the purification of cartels (Kartellbe Reinigung) of May 20, 1943 2/ It has been mentioned that while the cartels were not allowed to engage in administrative function, the Groups were forbidden in marketing activities. This prohibition has fallen and the groups have assumed the functions of the dissolved cartels wherever the cartels were and incorporated into bigger ones. 3/ The distinction between cartels and groups has thus practically come to an end. As a consequence of the changed relation between Group and Cartel, all cartels, i.e., is the clothing industry has been merged with the Economic Group in Clothing

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1/ Neue Zoereher Zeitung February 4, 1943.
2/ Frankfurter Zeitung August 22, 1943.
3/ Frankfurter Zeitung March 21, 1943 and News Digest No. 1200 July 31, 1943 B. 12.

industry or that the function of the 29 clothing industry cartels are now exercised by the Economic Group and its Trade and Sub-Trade Groups. 1/ Minister Frenk has expressed the aim of the reform in the following way.

"The possibility shall be opened to transfer to the organizations of the economy (that is the Groups) and to the marketing organizations (that is the cartels) functions derived from Warenverkehrs Verordnung namely a Bewirtschaftungsstellen of the National Commissions." 2/

It means that the approximation in the status of cartels and Groups has made it possible to delegate to both organs functions concerned with the planning of production and raw material control.

These functions will be discussed below. 3/

B. Reichsvereinigungen

The merger between cartel and group is fully realized in the Reichsvereinisungen, which may best be designated as compulsory national peak cartels, covering whole industry.

The following have been created :

(1) The National Association Coal, directed by Paul Pleiger of the Göring combine who is appointed directly by Göring. He is assisted by a supervisory board consisting of 13 members - 8 from coal mining, 1 from the free coal trade, 1 from the captive coal trade and 2 Labor Front representatives may be added. The major function of the Reichsvereinigung Coal is to increase productivity, to control distribution and transportation; it executes all government

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1/ Frankfurter Zeitung August 14, 1943.
2/ Europakabel January 8, 1943.
3/ Pp.

measures in the field of coal mining, and it is the main agency for concluding international agreements in the field of coal. 1/

(2) The Reichsvereinigung Iron is directed by the Saar industrialist Herman Roechling. He is assisted by a council composed of the most important steel industrialists and by an administrative council where a lesser number of industrialists are represented. 2/ The Reichsvereinigung Iron has again the task of rationalizing and increasing production. It also establishes the plans for production and for raw material allocation and for imports and exports, of iron, steel, scrap, etc. It is engaged in planning the transportation of its products. It supervises the existing steel cartels; it regulates prices, settles disputes between members and decides upon the closing down of superfluous enterprises in its field. In order to further technological developments the Reichsvereinigung has abolished the so-called "plant secrets" so as to make technological experiences of one member accessible to all other members. The president of the Reichsvereinigung can also request employees of any member to take up work for specific purposes in any one plant of another member. 3/ The Reichsvereinigung Iron is apparently the only one which has branch offices (Ausstellen). Five such branch offices exist, namely: Northwest at Dusseldorf, Southwest at Saarbrucken, Middle Germany at Berlin, Upper Silesia at Gleiwitz, and southeast at Vienna 4/ and in the Protectorate 5/ The establishment of the Reichsvereinigung Iron has led to a re-organization of the existing steel cartels. The old Rohstahlgemeinschaft has been dissolved and a new cartel called Eisen und Stahlwerksgemeinschaft in der Reichsvereinigung Eisen (Iron and Steel Community within the Reichsvereinigung Iron - ESGE.) has been established, and the president of the Mannesman combine, Wilhelm Zangen, who is also the leader of the National Group Industry, has been put in charge.

(3) Reichsvereinigung Chemical Fibers is controlled by Dr. E. H. Vits, president of the Vereinigte Glanzstoffwerke.

1/ See Changes in German Industrial Organization, 1941 to 1942, BEW document No. EP6, October 30, 1942; and the article by Franz Kluge in Die Deutsche Volkswirtschaft, 1942, No. 17.
2/ See for the composition National Zeitung, August14, 1942, and for changes in the composition Kölnische Zeitung, April 3, 1943.
3/ Muelhaeuser Tagolatt, June 9, 1942, Microfilm No. 68.
4/ Kölnische Zeitung, January 10, 1943.
5/ Deutsche Bergwernszeitung August 17, 1943.

He is assisted by a presidential council of 8 members. This Reichsvereinigung is a holding cartel for the existing cartels in the field of rayon and cellulose wool fibers. It regulates the marketing and standardization of products, is engaged in price control and concludes international agreements.

(4) The Reichsvereinigung Bastfesern (Hemp) is directed by Dr. Gruber. It has functions similar to that of the Reichsvereinigung Chemical Fibers.

(5) The Reichsvereinigung Textile Processing is different from the previous ones in that the control of the Minister of Economics over it is weakest. Its primary aim is the rationalization of the cartel system in the textile finishing branch, especially the amalgamation of existing cartels, a task which has been successfully carried out by this Reichsvereinigung.

(6) Apart from these five German Reichsvereinigungen there have been established a number of similar organizations which, though not having the name Reichsvereinigung, have for all practical purposes identical functions. We may mention the Association of German Wire Rope Works effective as of January 1, 1943, the Association Forestry for the purpose of promoting the mechanization and the better exploitation of the material, the Gemeinschaft Shoes, and similar organizations. The Reichsvereinigungen fulfill a number of functions. They are like cartels in that they engage in the regulation of marketing conditions. They are to some extent raw material allocation agencies and thus have taken over some of the functions of the Reichsstellen, (the National Boards for Raw Material Control). They have also assumed the functions of Groups in that they control the cartels below them. And they are finally agencies for the allocation of orders, especially of government orders, among their members.

The Reichsvereinigungen constitute thus the culmination of five trends that have become apparent in the German economy since 1939, namely:

a. to integrate the too many cartels in any one industrial branch into a national holding or peak cartel, that is, doing away with over-cartelization;

b. to create national cartels in such branches where free cartelization was found to be lagging, that is, to do away with under-cartelization;

c. to transfer raw material control to the cartels;

d. to utilize the cartel for community production 1/

e. to integrate the cartel and the Group.

1/ See above p....

The functions of the various Reichsvereinigungen may be schematically presented in the following way 1/.

Coal	Iron
1. Rationalization	1. All tasks in the field of the Iron Economy
2. Improvement of Social conditions	2. Rationalization
3. Control of Distribution	3. Establishment of Plans for: Production, Raw Material Supply, Import, Export and the execution and supervision.
4. Settlement of Disputes between syndicates	4. Technological Improvements.
5. Regional Organization of Coal Distribution	5. Planing and allocation Raw materials, Fuel and Scrap
6. Planing of Transportation for Solid Fuels	6. Planing of transportation
7. Cooperation with all large scale Projects based on coal.	7. Regulation of Marketing Cartel Agreements
8. Statistics of Consumption	8. Price questions
9. Supervision of Security measures	9. Settlement of Disputes between members
10. Support of Government at the conclusion of trade treaties.	10. Supervision and Securing of Raw Material allocation
11. Execution of such Treaties	11. Simplification of organizational structure.
12. Conclusion of Agreements with coal Producers of the Countries	12. Closing downs.

1/ from Die Deutsche Volkswirtschaft 1942 No. 17.

Chemical Fibers	Hemp
1. Control of Marketing	1. Control of Marketing
2. Establishment of Plans for Production and Imports	2. Placing of Production Sale Storage Processing etc.
3. Control of Domestic Sale and Exports	3. Regulation of Packing; marking.
4. Agreements with Enterprises interested in Chemical fibers	4. Imposition of duties
5. Agreements with foreign producers.	5. to surrender, accept and store hemp.
6. Promotion of Chemical fibers abroad	5. Rationalization
7. Price questions	6. Technological Progress
8. Rationalization in Conjunction with the Group	7. Shutting down with Indemnification
9. Exchange of Experiences	8. Price Fixing including Trade Margins and Sales and Price conditions
10. Settlement of Disputes between members.	9. Levying of impositions upon members.
	10. Agreements with foreign producers.

Textile Finishing
1. Improvement of Efficiency of Plants
2. Imposition of Duties regarding production
3. Regulations regarding the utilization of plants
4. Compulsory creation of compulsory cartels
5. Shutting down with the consent of the groups
6. Directives concerning the execution of orders
7. Agreements with Prime contractors
8. Patent and licensing agreements in conjunction with groups
9. Estimating directives
10. Control of Marketing
11. Price fixing and regulation of sale condition
12. Settlements
13. Agreements with Foreign producers with the consent of the Ministry of Economics.

III. Organs Coordinating Government, Business, and Party Organizations.

The primary problem in every modern economy is the coordination and integration of the work of the various agencies exercising economic and social controls in the policy making and policy executing levels. The chapter is divided into the coordination of government, business and Party agencies on the national and on the regional level.

I. Coordination on the National Level. Very little is gained by just asserting that Hitler is the supreme leader and that consequently he himself settles the disputes between the various national agencies and integrates their work. It is well known that Hitler is utterly disinterested in economic problems and leaves the whole field of economic organization to his subordinates. But even if he were to have a profound interest in these problems, he would be unable to cope with them due to the enormous complexity of political and administrative decisions.

1. Equally inaccurate is a similar view of Göring, the chief of the German war economy, and Hitler's deputy for the execution of the Four Year Plan. It is certainly true that many of the fundamental decisions are made by Göring, but it would be an impossibility for any single man to hope to really integrate the enormous machinery engaged in economic administration. Legally, the supreme organ is the Ministerial Council for the Defense of the Reich (Ministerrat fuer die Reichsverteidigung) formed out of the National Council for the Defense of the Realm (Reichsverteidigungsrat). Nothing is known about the composition and the jurisdiction of the latter,1/ so that we may as well forget about the National Council. The Ministerial Council, created on August 30, 1939 is composed of:

Goering as head, deputizing for the Fuehrer
Keitel the chief of the supreme command of the armed forces.

1/ Frankfurter Zeitung, January 1, 1941 admits it.

Frick as commissioner general for administration (minister of the interior) 1/
Funk as commissioner general for economics (minister of economics)
Lammers the director of the federal chancellery (who manages the business of the ministerial council)
Borman chief of Party Chancellory

The ministerial council is the normal legislator for the time being. Between Goering and the afore-mentioned ministries in the economic sphere is now interposed Funk as commissioner general, just as Frick is over the ministries of interior, justice, churches, culture, etc. There is very little evidence to the effect that the Ministerial Council for the Defense of the Reich is really the agency in which conflicts between the various organs are settled. It is remarkable that the most important ministry - the Ministry of Armament and Munitions - is not represented in the Council. There is secondly very little evidence to the effect that meetings of the Ministerial Council are really held. It must be assumed that legislation to be passed by the Ministerial Council is the result of compromises between the various economic chiefs and that the draft bill is merely sent to the members of the Council for their signatures.

It may thus be assumed that the major economy problem, namely the reconciliation of the military and civilian requirements, is made by an agreement between Funk and Speer, Funk acting as the responsible official for the civilian sector of the economy, Speer acting as the responsible official for the military sector. Should they fail to agree on a fundamental policy, the issue may be carried to Goering as chairman of the Ministerial Council and as chief of the entire war economy. We can thus say that on the national level the integration of government, Party and business organs is not institutionalized, that there exists no supreme organ which gives orders to the various chiefs in question but that rather decisions are reached by agreements between the various chiefs who have to settle their own conflicts.

1/ Now supplanted by Himmler.

II Coordination on the Regional Level.

1. The War Economy Decree of 1939 created Fuehrungsstaebe der Wirtschafts at the seats of the provincial presidents. The leadership staff had no executive machinery; its members utilized the Regional Economic Offices. They were, however, entitled to give orders to the following regional (and their subordinate local) organs:

1. The Regional Economic Office, Timber Offices, Regional Food Offices.
2. Regional Labor Exchanges
3. Economic chambers
4. Regional groups and guild associations
5. Landesfinanzaemter
6. Regional Peasant Organizations.

These leadership staffs of the economy were merely debating clubs of the various regional chiefs without executive authority.

There has never been a report indicating that they actually operated but there are a number of reports showing considerable skepticism as to the effectiveness of the coordination on the regional level.

2. Nor did the institution of the original Reichsverteidigungskommissare (National Defense Commissars) appointed by the Ministerial Council by a decree of September 22, 1939 alleviate matters. The 18 National Defense Commissars were assisted by National Defense Committees composed of the Reich Governors, provincial presidents, the Gauleiter, the High SS and Police Leaders, the presidents of the labor exchanges, the trustees of labor and so on. The reason for the inefficiency of the setup on the regional level was conditioned by the differences in the regional units of the several administrative functions. The Wehrkreis, the Prussian Province, the Party Gau, the Economic Chamber, the Regional Labor Exchange, the District of the National Trustees of Labor - each differed from the rest in boundaries and size.

In order finally to bring about a complete coordination of the economic controls on the regional level, the following

steps have been taken, some of them having been already discussed. The institution of the Gau Economic Chambers adjusted the regional organization of business to the Party Gau.

30 Wirtschaftsbezirke (Economic Districts) were established which as a rule coincide with the Party Gau, though each of eight Economic Districts includes two or three Gaue.
22 Economic Districts are identical with the corresponding Gaue;
5 Economic Districts cover two Gaue;
2 Economic Districts cover 3 Gaue;
1 Economic District covers 4 Gaue.

The organization of the Regional Economic Offices, Regional Food Offices, Timber and Forestry Offices, Regional Labor Exchanges, National Trustees of Labor has been adjusted to these new economic districts or is in the process of being adjusted to them.

3. By a decree of September 17, 1942, a coordination of the military sector of the economy was achieved. 42 Regional Armament Commissions (Ruestungskommissionen) were established. They are composed as follows:

A. The Armament Inspector (Ruestungsinspekteur) of the Munitions Ministry, the real representative of the interests of war production in the regional area. He is an army engineer and the chairman of the armament commission. There are also the Wehrwirtschaftsinspekteur (War Economy Inspector) and the Wehrkreisbeauftragter (Army District Deputies) representing both the Wehrwirtschaftsamt and the Ministry of Munitions. At all events, both the Supreme Command of the Wehrmacht and the Ministry of Munitions are amply represented.

B. The Armament Chairman (Ruestungsobmann) representing the Main Committees of experts and the Industrial Rings. He controls the chairmen of the other committees of experts and rings in his district (Bezirksobmaenner).

C. The president of the Regional Labor Exchange (Landesarbeitsamt), operating under the authority of the Ministry of Labor.

D. The president of the Regional Economic Office (Landeswirtschaftsamt), operating under the authority of the Minister of Economics.

E. The president of the Gau Economic Chamber (Gauwirtschaftskammer) and the economic adviser (Gauwirtschaftsberater) of the Party Gau.

F. The Gauleiter as Sauckel's representative for labor supply.

G. Whenever the need arises the chairman of the armament commission may call in other officials such as the presidents of the regional railway administration and the managers or leaders of the regional organizations of industry proper.

These armament commissions have complete authority over all the five agencies that are represented in them. By appointing the chairmen of these commissions, the Minister of Munitions can impose his will on all the regional agencies involved in the execution of the war production program. Should an order of the armament commission conflict with policies established by other ministries, the regional office affected by such an order may appeal to the Minister of Munitions, who has the right of decision after consultation with the ministry to which such a regional office belongs. Such an appeal, however, cannot postpone the execution of the order. The Armament Commissions therefore represent the coordination of all economic agencies for the military sector of the economy on the regional level.

Originally established for the 42 Party Gaue, the Armament Commissions have now been transferred to the 30 Economic Districts.

4. By a decree of November 16, 1942, issued by the Ministerial Council for the Defense of the Reich 1/ the 42

1/ See Kolnische Zeitung, January 6, 1943 and January 20, 1943.

Gauleiter were made National Defense Commissars for their districts. Their function as defense commissars is to integrate all agencies engaged in civilian administration and in economic controls. The National Defense Commissars do not themselves administer but act as political commissars over the existing administrative agencies. They are organs of the Ministerial Council for the Defense of the Reich. Full authority for regional coordination was vested in them by the Decree of January 24, 1943. They now coordinate the following activities on the regional level. On the Gau level:

They themselves act as Gau Labor Supply Commissars, and Gau Housing Commissars.

They coordinate the Gau Economic Chambers, the Gau Economic Advisors of the Party and the Gau Administrators of the Labor Front (Gauwalter).

On the level of the Wirtschaftsbezirke, they inspect

the Regional Economic Offices

the Regional Labor Exchanges

the National Trustees of Labor

the Regional Food Offices

the timber and Forest Offices

the Deputies for Intra-City and Suburban Transportation (Nahverkehrsbevollmächtigte)

the Price Supervising Offices.

In order to achieve a coordination with the military sector on the regional level, the armament inspectors and the Wehrkreis deputies and the Ministry for Armament and Munitions are affiliated. The National Defense Committees and the Leadership Staffs of the economy are abolished 1/and

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1/ The Leadership Staffs have been abolished by a decree of May 4, 1943 (RG Bl I, p. 288) see Berliner Boersenzeitong May 12, 1943. The decree is issued by the Commissioner General for the Administration of the Reich (Frick) with the consent of the Four Year Plan Delegate, the Leader of the Party Chancellery and the Chief of the Supreme Command of the Armed Forces.

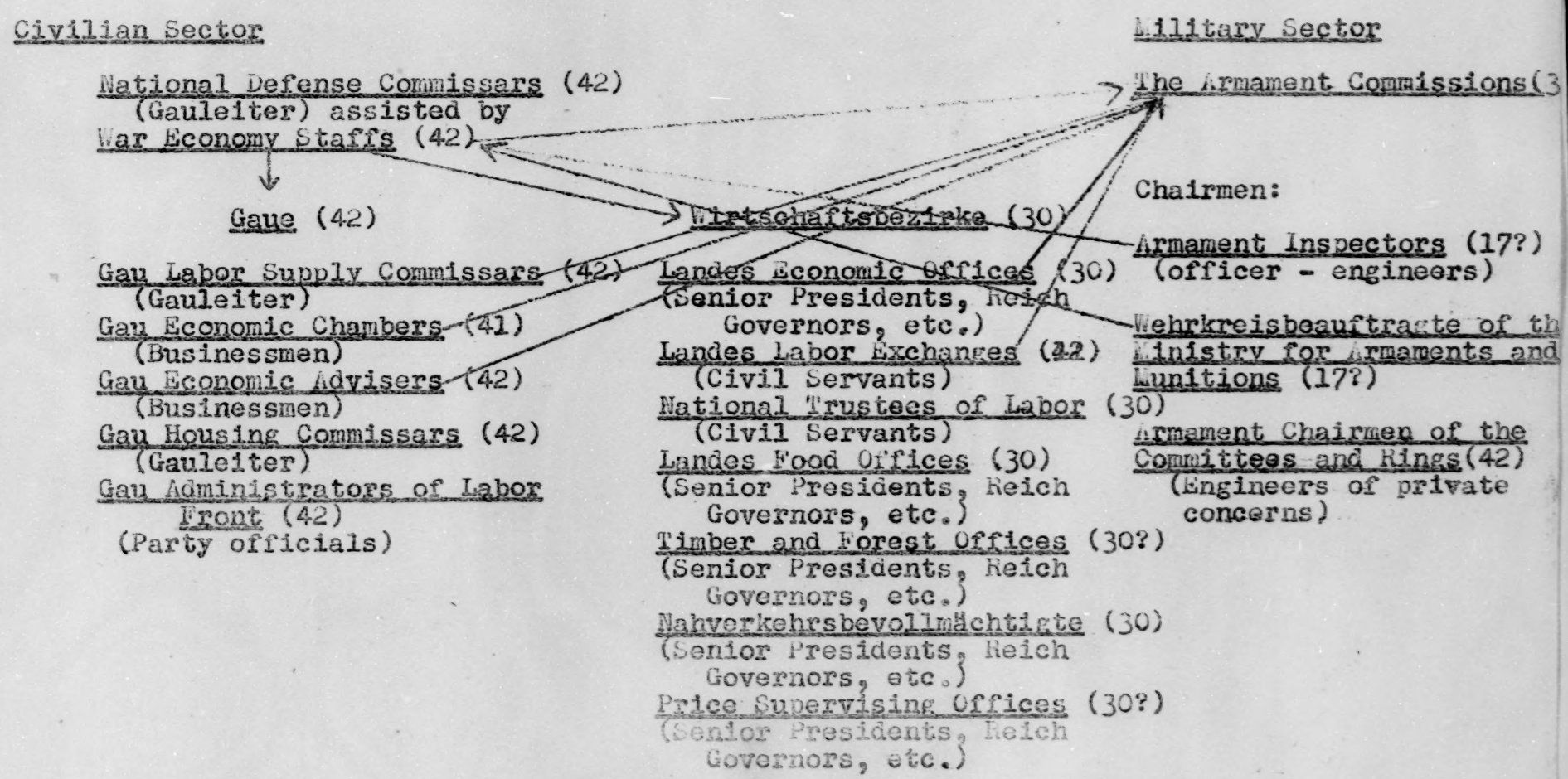
Kriegswirtschaftsstaebe (War Economy Staffs) are established for each Gau, in which the Chiefs of the above mentioned agencies are represented under the chairmanship of the National Defense Commissar.

Formally, the Kriegswirtschaftsstaebe are superior to the Armament Commission - but the Frankfurter Zeitung 1/ insists that "the center of priority for the regulation of production has shifted to the trade associations" (The Group Reichsocreissigungen).

1/ May 20, 1943
Since there are only 30 economic districts but 42 Gaue, several undivided Gaue comprise one "irtschaftsbezirk. There is appointed in these cases a leading Gauleiter for the several Gaue in one Wirtschaftsbezirk.

The following chart will make clear the regional coordination between government, business and Party organs.

5. Regional Cooperation between Government, Business and Party Organs



Methods of Controls and Economic Policies.

The basic aim of Nazi government was, and is , of course, to get the utmost out of the productive apparatus, that is to achieve the maximum result with the least effort of labor, raw materials, and machinery.

As a consequence a number of problems arise which we cannot hope to fully discuss here. The following major problems, however, deserve close study, namely; the rationalization of the productive machinery, the control over investments, the allocation of raw material, and the control of prices.

I. Rationalization.

Five different problems are usually encompassed by the term "rationalization", a term of which the Germans are very fond. It means:

a. scientific management in factories;
b. the simplification of social and economic controls;
c the installation of labor-saving devices;
d. the standardization of commodities;
e. the physical concentration of plants, that is transfer of quotas from less efficient to more efficient plants.

1. Within these five categories two different types of rationalization must be distinguished. We might call them:

1 - inner-entrepreneurial, and
2 - supra-entrepreneurial rationalization.

The first is confined to one specific plant, enterprise or combine, and is usually the outcome of competitive compulsion. It is, thus, unplanned; that is, it is carried out, or not carried out, according to the demands of competition. Considerations for the whole of the economy do not enter into such rationalisation policies. Inner-entrepreneurial rationalisation, is stimulated by the regimentation of the Nazi economy.

Rigid price control, the lowering of cartel prices, i.e., compel the enterprises to increase their profits by rationalization. Scarcity of raw materials compels the elimination of waste. Scarcity of labor is probably the greatest stimulus to scientific management and the installation of labor-saving devices. We need hardly add that by this very token, centralisation and concentration is furthered. The capital requirements for installing labor-saving devices tend to increase, so that only rich enterprises can afford to do so and, among them, vertical combines are still in the most favorable position to do so.

While this aspect of rationalisation presents no new problems, it is the second, the supre-entrepreneurial one which has come to the fore under Nazism.

2. We need hardly discuss the elaboration of common principles of calculation and accounting. We have already discussed the functions of the cartels as agents of rationalisation. 1/

3. Supra-entrepreneurial rationalisation of production and distribution, encounters, however, serious obstacles, unless the control of business is total. Supra-entrepreneurial rationalization, that is rationalization of a whole branch of industry or of the whole industrial apparatus, would have been inconceivable in the Weimar Republic. Let us assume that a democratic government took the view that the automobile industry produced too many types of cars, that the number of types ought to be reduced and that each plant ought to manufacture only one or two specific types. That would have remained merely a pious wish. No automobile manufacturer could and would have done it. He had no guarantee that the others would fulfill their obligation, he had no surety that an outsider might not take up the production of a type prohibited to him. In short, the risks involved in supra-entrepreneurial rationalisation were much too high.

They will disappear under two conditions:

1 - that the business organizations are absolutely stable so that nobody can leave them;

2 - that no outsider may threaten the once-made rationalization agreement.

Both conditions have been fulfilled by National Socialism. The Compulsory Cartel Act, compulsory membership to the Groups, and the leadership principle have created that security under which monopolies could come to such agreements.

4. The task of supra-entrepreneurial rationalization rests with a number of agencies, the Four Year Plan office. Göring has made Funk general commissioner for rationalization -1/- merely a formal appointment. Funk has transferred these powers to W. Zangen, leader of the National Group Industry. The real power to rationalize lies with the General Deputies, who up to the end of 1941 have rationalized the following industrial branches:

Motor Vehicles (passenger and truck)
Motor Vehicle parts
Ships for Inland Navigation
Radio
Building Construction Machines
Scythes
Printing
Butcher Machines
Agricultural implements
Pipe-Connection Pieces
Dredges

A discussion of the work of Commissioner Generals may illuminate the methods. By decree of March 2, 1939,2/ Göring appointed a Commissioner General (Generalbevollmächtigter) for the production of motor vehicles, who is authorized to fix the number of types to be produced and to allocate specific types to specific factories.

On March 15, 1939, the first executive decree of the general deputy was published.3/ It established five types

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1/ On December 14, 1934, see Frankfurter Zeitung February 19, 1939.
2/ Reichsgesetzblatt I, 386.
3/ Mölders, Vol II, Group 2, pp. 17-22 and Deutscher Reichsanzeiger, Nr. 66 of March 18, 1939, in connection with Nr. 303, December 28, 1939.

for passenger cars, and five types of trucks, and then allocated specific types to the various factories. Similar arrangements are made for motorcycles. The Commissioner General for Machine Construction, Karl Lange, has done the same in regard to dredges. By his decree of July 25, 1941,1/ he established only four types of dredges, with 0.4; 0.6; 1.0 and 1.5 cubic meter contents. 2/

5. Other equally important agencies for rationalization are the Reichstellen, the National Boards for Raw Material Control, which will be discussed in detail in a subsequent chapter. The Reichstellen have enacted in innumerable cases prohibitions and orders. The use of certain materials or the manufacture of certain goods was prohibited or manufacturers were ordered to use certain material and certain compositions. Analyses of their rulings would go far beyond our discussion.

6. In 1921 private combines and the government established the Reichskuratorium fuer Wirtschaftlichkeit, the National Board for Efficiency, to promote rationalization and to advise business how best to carry out rationalization measures. 3/ The various trade associations within the various peak associations established a number of Normenausschuesse,

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1/ Reichsanzeiger No. 171 of July 25, 1941 and Frankfurter Zeitung, July 30, 1941.
2/ "Gelenkte Technik," Frankfurter Zeitung, May 31, 1941, - a report on Lange's work. Other reports are Helmut Zorn "Reichskuratorium Für Wirtschaftlichkeit"; "Die sozialen Auswirkungen der Rationalisierung" in Soziale Praxis, 1941 (Vol. 50) No. 13, pp. 509; "Für Tage des Einheitsschiffbaues" in Der Vierjahresplan, 1941 (Vol. 5), No. 11, p. 610; Georg Seebauer, "Leistungssteigerung Durch Rationalisierung" in Der Vierjahresplan, 1938 (Vol. 2), No. 9, p. 523; "Vollmechanisierung im Kohlenbergbau" in Frankfurter Zeitung, June 12, 1941, a report on the iron miner. The article shows how rationalization furthers centralisation.
3/ See its Handbuch der Rationalisierung, Second Edition, Berlin, 1930.

standardization committees, which from time to time recommended to their members specific measures regarding scientific management, labor-saving devices, and the standardization of goods.

All economic, and many of the trade and sub-trade groups now possess such standardization committees which continue to work in this direction. Their recommendations, however, could not be translated into legislation until, in 1939, the Minister of Economics enacted a decree authorizing him to declare the recommendations of the standardization committees valid for all producers, wholesalers, and retailers.1/ As a consequence, a large number of such decrees have been issued by the Minister of Economics affecting the tensile strength of yarns, the color and composition of textile fibers and cloth, the size of films, the strength of hardware, and so on. There is hardly a field, especially in the civilian sector of the economy, which has not been affected by the standardization committees of the Groups.

7. The most important single agency today for the rationalization of combat material and related commodities are the Main Committees and Industrial Rings discussed above. One can say today that the main committees and rings have assumed exclusive responsibility for the standardization of commodities in the military sector of the economy. The relation between the Groups and the Committees and Rings has been defined as follows: the Groups are primarily concerned with administration while the Committees and Rings are primarily concerned with standardization and rationalization. They are thus called "the technical hand of industry."2/ The Committees and Rings have also responsibility for the concentration of production in more efficient plants. 3/

In recent months, the connection between the Groups and the Committees has become closer in that a personal union

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1/ Decree of September 8, 1939 see Din Mittei Lungen Vol. 23, 1940 No. 27.
2/ Frankfurter Zeitung, December 20, 1942.
3/ Kölnische Zeitung, March 17, 1943.

has been established between the leaders of some Committees and of some Groups.

8. Since the foundation of the five Reichsvereinigungen these national associations have become very important in the Field of rationalization.

9. Within the whole sphere of rationalization the concentration of plants, the closing of inefficient factories and the transfer of their machinery and quotas to more efficient plants plays the most important role and therefore deserves special mention. Two aspects must be distinguished in this field. Concentration has been going on in German industry for many decades and has taken a very rapid turn under National Socialism. This concentration is the outcome of the structure of the German economy and is not the result of orders imposed upon the economy by the German government. This aspect of the concentration process cannot be discussed here.

a. There are industries, like the textile industry where were closing down does not lead very far because of the absence of large scale industrial plants. In such cases, the full utilization of existing plants, even of small ones, is of utmost significance. To achieve this purpose, the productivity of the smaller plants has to be improved. One of the means to achieve this was the establishment of Leitbetriebe, model factories, namely, those factories whose output exceeds that of their competitors. The model factories are compelled to assist the other plants by giving them technical advice and making accesible to them technological achievements. In return, the model factories obtain preferential treatment in regard to supply with raw materials, machines and labor 1/

We shall discuss only the sum total of those government measures which demand the closing down of inefficient and the corresponding expansion of more efficient factories. The following distinctions have to be made:

b. The compulsory cartel act of July 15, 1933 vested in the Minister of Economics the power to establish

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1/ Die Deutsche Volkswirtschaft 1943 No. 21, P. 642.

compulsory cartels, to compell outsiders to join existing cartels, to prohibit the establishment of new factories or the extension of existing ones and to regulate generally the capacity of industrial establishments. On the basis of this compulsory cartel act, the Minister of Economics has enacted hundreds of regulations prohibiting the extension of existing enterprises and thereby indirectly compelling the transfer of plants from one to another. We may say - and Nazi economists do not deny it - that every government measure has favored concentration of plants and the closing down of inefficient plants. 1/

The following direct measures for the elimination of inefficient plants have been taken:

c. For handicraft the decree of February 22, 1939 2/ for the execution of the Four Year Plan in the sphere of handicraft; and for retail the decree of March 16, 1939 3/ for the purification of the retail trade are of significance. The aim of the two decrees is to gain labor power and to solidify the position of the "healthy" entrepreneur by purging the "unhealthy" ones. The retail purge is carried out by the Economic Group in conjunction with the local Party leader, the local labor exchange and the trustee of labor. The handicraft purge is executed by the Chamber of Handicraft, now the Department "Handicraft" in the Gau Economic Chamber 4/

1/ Leonhard Miksch, "Der Grossbetrieb im Vormarsch" in Die Wirtschaftskurve, 1941, No. 3, pp. 175-187 and the forthcoming study of A. Gurland, O. Kirchheimer, and F. Neumann, The Fate of Small Business in Nazi Germany (United States Senate Committee to Study Problems of American Small Business), Government Printing Office, 1943.
2/ Der Vierjahresplan, 1939, No. 3.
3/ Soziale Praxis, 1939, p. 403.
4/ On the results see the above mentioned Senate study and F. Neumann, Behemoth, pp. 282-284.

The decrees have subsequently been strengthened. A decree of the Minister of Economics, for instance, of December 23, 1939 1/ ordered the Economic Groups to purge all those retailers whose yearly turnover has, since 1937, not exceeded 12,000 Marks. The purged retailer and handicrafts men do not contain any compensation for the loss of property thus suffered.

Sharply distinguished from these decrees under the Four Year Plan are the decrees closing handicraft and retail ships issued under the labor Mobilization Decree of January 27, 1943. In this case, the execution of the decree rests with the National Defense Commissars, that is the Gauleiter, who order the Economic Groups to make proposals and who execute the proposals or amend them according to their discretion. The main purpose of the labor mobilization decree of 1943 is to win additional labor supply. There is a sharp difference between the above mentioned measures of 1939 and those of 1943. The 1939 measures aim at excluding the purged retailer and handicraft men definitely from economy life. The labor mobilization act, however, so at least official statements maintain, is merely a temporary measure. The retailers, wholesalers, and handicraft men purged under the decree of 1939 have been promised restitution of their businesses after the duration. Legal enactments therefore provide that the firm name should not disappear. While the purge of 1939 did not provide support (some kind of (Gemeinschaftshilfe) or mutual aid for the closed-down retailers and handicraft men, the labor mobilization act of 1943 and executive decrees do provide for such assistance.

d. The labor mobilization act of 1943 does not affect industry proper because the process of industrial concentration has been much more severe than that of trade and handicraft concentration. It had started with vigor in the spring of 1942 when the reorganization of the German economy was undertaken. 2/ The procedure for the closing down

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1/ Soziale Praxis, 1940, p. 126.
2/ Changes in German Industrial Organization, 1941-1942, BEW EP6, pp. 17-23.

of industrial plants is as follows. 1/ The new regulations of March 1943 affect all industrial enterprises except those directly engaged in armament production. According to this decree, it is the Reichsstellen, the National Boards for Raw Material Control, that work out the plans for closing down and concentration. They issue prohibitions to produce and to enact the restrictions on the productive liberty of enterprises. These plans are then handed over to the Bewirtschaftungsstellen, which are identical with the Economic or Trade Groups and the function of which will be discussed below. These agencies together with the main Committees, the regional organization of the Groups, then analyse the proposals of the Reichsstellen. The plan of the Reichsstellen together with the proposals of the above mentioned agencies are then handed over to the Land Economic Offices and the Gau economic advisors of the Party. The Land Economic Office then convokes a committee meeting which is attended by all representatives of business and the government at the regional level. This committee may either approve or reject the plan of the Reichsstellen. If it approves, then the Land Economic Office issues a closing down order to the entrepreneur in question who cannot appeal. If it does not approve, negotiations have to be opened again in order to arrive at a final decision. The purged entrepreneur is entitled to Gemeinschaftshilfe (mutual aid) under the decree of February 19, 1940, an assistance which is collected and administered by the Groups. 2/

In the military sector of the economy it is the Main Committees and Industrial Rings which are today primarily responsible for the closing down of industrial enterprises.

All the above mentioned agencies surveyed in standardization have now been integrated into the Deutsches Normenwerk. The interests of the various government agencies in this body are represented by a newly created Ministerialausschuss

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1/ See Hamburger Fremdenblatt, March 26 and March 28, 1943.
2/ See the above mentioned Senate study on further details and Frankfurter Zeitung, March 26, 1943, on the amount of aid so far given.

Fuer Normung und Typung (Ministerial committee for Standardization and typization) 1/

1/ Berliner Boersenzeitung August 14, 1943.

II

Raw Material Control and the Planning of Production

Introduction: The Stages of Raw Material Control.

Three stages may be distinguished in the history of raw material control in Nazi Germany. Each of the stages will be discussed in detail because only such historical presentation can make the actual operation of the system understandable. The first stage has been called that of the "Referenzperioden." 1/ Its legal basis was the decree on commodity transactions which emerged from exchange control and consisted primarily in allowing importers of raw material to acquire a specific percentage of raw material that they used to acquire during a certain base period. (Referenzperiode). In so far raw material control was closely tied to exchange control.

The second stage, however, shows already signs of a production control. Its aim was not so much to conserve the gold and foreign currency holdings of the Reich as to accumulate stocks of vitally needed raw materials and to restrict consumption of raw materials in the civilian sector. This stage dates approximately from the beginning of 1936. It combines a number of features. It introduced priorities and also imposed upon manufacturers restrictions to produce or obligations to produce. This system was especially elaborated in the iron and steel industry where the system of control numbers attempted to realize a priority order which was intended to secure the fulfillment of certain urgent orders. The Commissioner General for the Regulation of Building Construction was the first agent to allocate quotas for building materials by one single agency and thus to introduce the so-called "global quota" which has become the standard system after the reform of 1942.

On March 21, 1942 Hitler asked the Minister of Armament and Munitions to make decisive changes in the system of raw material allocation by utilizing to a much higher degree

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1/ Frankfurter Zeitung, April 28, 1943.

the organization of the self-government of industry. This led to a reorganization of raw material control especially in the iron and steel industry by the institution of the iron checks.

The third stage in raw material control dates from December 11, 1942. It institutes so-called Lenkungsbereiche, spheres of steering which no longer start from the raw material but rather from the finished product and thus vertically organize a system of allocation fully utilizing the existing organizations of business.

A. From Exchange Control to Quotas.

Indirect control is one which does not principally aim at the control of raw material but which is an inevitable consequence of other measures of regimentation: especially currency control and tariffs.

Direct control may either affect the external (exports and imports) or the domestic market. The history of raw material control as it arose from exchange control has often been sketched and it is thus not necessary to repeat it here.1/

Exchange control's primary purpose is, of course, to prevent the flight of capital and thereby unregulated currency depreciation. The restriction of imports is not its aim, and sometimes not even its necessary consequence. 2/ But it soon went beyond these aims and became an instrument of the preparedness economy.

1. Restrictions on Imports.

The tariff system quite obviously affects imports. The Act of July 1, 1931 raised tariffs on butter, cream,

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1/ League of Nations, Report on Exchange Control, Geneva 1938; Howard S. Ellis, Exchange Control in Central Europe, Cambridge, Mass. 1941; Allan Thomas Bonnell, German Control over International Economic Relations, Urbana, Ill., 1940.

2/ Compare Ellis, Op.cit. p. 291 against League of Nations report, p. 26.

cheese, bacon and lard. It was allegedly an "educational" tariff to stimulate the agricultural Veredelungswirtschaft. We shall not follow up the tariff development. We mention merely the following acts, prior to Nazism.

1 - Decree of Dec. 1, 1931 (Reichsgesetzblatt I, 689) - empowering the cabinet to change import tariffs and to negotiate bilateral trade treaties.

2 - Decree of Jan. 28, 1932 (Reichsgesetzblatt I, 27) - empowering the cabinet to raise equalizing tariffs on imports from countries having a devaluated currency.

3 - Decree March 9 1932 (Reichsgesetzblatt I, p.121) - reenacting and reaffirming Nos. 1 and 2.

4 - Decree of Feb. 29, 1932 (Reichsgesetzblatt I, 101) - introducing general tariff increases against countries without a trade agreement with Germany or discriminating against Germany (Canada and Poland).

5 - Decree of Sept. 6, 1932 raising tariffs on certain industrial products. 1/

2. Exchange Control

It is equally unnecessary to study in detail the check upon imports achieved by exchange control. Up to the enactment of Schacht's New Plan of 1934, the exchange control boards did not discriminate against specific commodities. Yet, already from 1933 on, the trend to utilize foreign exchange control as a means of controlling the flow of imports becomes visible. Howard S. Ellis has shown that as early as 1933 and with certainty from 1935 on, exchange control was superfluous from the monetary and financial angle.

Exchange control started with a series of decrees enacted between July 15 and August 1, 1931, made necessary by the

1/ Bonnell, op. cit., ppl 80-81.

the outflow of gold from the Reichsbank and the breakdown of the Darmstädter und Nationalbank caused by the bankruptcy of the Nordwolle combine of the brothers Lahusen. 1/ The various exchange control measures were codified in the first full-blown Exchange Control Act of August 1, 1931. 2/ Foreign currency could be acquired only on the basis of an authorized statement, "a certificate of necessity" issued by the newly established Foreign Currency Office (Devisenstelle) and only from an authorized "Devisen" bank. Permission had to be acquired for the opening of new credits in Marks to foreignars, for the disposal over Mark accounts in Germany owned by foreigners and originating before Aug. 4, 1931 and for the transfer of Marks to accounts held with firms abroad. Concerned were only transactions exceeding 3000 Marks. 3/

It is clear that such wide powers vested in the foreign currency offices affected deeply the import of commodities into Germany. While originally the foreign currency offices were ordered to issue certificates only for vital imports, this, however, was abandoned (due to a considerable rise in prices), in favor of allocation for all authentic imports.

The subsequent decrees sought to close the many loop-holes which the Act of 1931 still left.

Yet the foreign exchange situation of Germany grew worse. England's departure from the gold standard, the fact that the standstill agreements covered only half of the foreign short term debts, the inefficiency of exchange

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1/ Reichsgesetzblatt 1931, I, 365,366,369,373.
2/ Ibid. I, 421.
3/ Surveys by Ellis, pp. 166-67; Bonnell, pp.81-83.

control - this all led to a continued flight of capital and to a continuous drain on the gold reserve of the Reichsbank. 1/

For 1931, the balance of payments showed an outflow of 3.350 Mill. R.M., only partly offset by a favorable trade balance (plus 2.827 Mill). 2/

In November, 1931, therefore, the first rationing system for foreign currency was introduced. Importers could receive only 75% of the foreign currency used during the base year July 1, 1930 to June 30, 1931. The quota was reduced to 55% in April, 1932 and to 50% in May, 1932, and remained on this level until 1934. This cutting of the allocation of foreign currency did, of course, not imply a proportionate cut in imports since, due to the price fall on the world market, the purchasing power of foreign currency had considerably increased. 3/

Up to 1934, therefore, no new acts were enacted that affected raw material imports, since most measures enacted up to that period concerned assistance to Germany's export trade. They fall, therefore, outside of our discussion. We need only mention that in March 1934, the foreign currency quota for imports was cut to 45%, in April to 35%, in May to 25%, in June to 20%, in July to 10% and in August to 5%.

That means that the quotas had lost all importance and the financing of imports must be sought in some different sphere - namely in Germany; foreign trade policy, which we do not discuss here.

But if the system of allocating quotas of foreign currency to German importers became inoperative, another means must be sought to control imports. Besides, indirect

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1/ Gold Reserve of the Reichsbank (yearly average, millions of Marks): 1930 2,446.2; 1931, 1,711.1; 1932, 838.7; 1933, 457.1; 1934, 158.7; 1935, 86.1; 1936, 69.7; 1937, 68.8 - from Statistisches Jahrbuch 1934, p. 339, Ibid 1938, p. 397.
2/ Ellis, p. 177.
3/ Ibid. p. 183.

import control through foreign exchange control had serious defects for an economy committed to war. It froze, so to speak, the importers and the kind of imported commodities. It did not allow any shift in imported commodities, a shift from the importation of consumption goods to raw materials vital for the war economy.

Besides, from a point of view of a normal economy, or for overcoming monetary difficulties, exchange control was unnecessary from 1933 on, as H. S. Ellis has shown.

3. From Exchange Control to Raw Material Control.

The procuring of raw material was no longer left to the initiative of the individual importer who, for this purpose, acquired foreign currency. The procuring of raw material (and imported commodities of all kinds) became the primary task of the trade policy, especially of the bilateral trade agreements. We are not concerned with this angle. We are only concerned with the distribution of raw material among German producers.

As to the first problem, only the general framework may be indicated. The law of April 4, 1933 1/ authorized the Minister of Economics to negotiate bilateral trade agreements in case of emergency. The law of September 22, 1933 2/ gave the Minister of Economics the all-around possibility of fixing quotas. The size of the quota was determined by the treatment accorded to Germany.

Import control becomes thus completely divorced from exchange control. It is no longer the amount of available foreign currency that determines imports. One could paradoxically say it is the amount of necessary imports that determines the amount and character of the currency.

This emancipation of raw material imports from exchange control, became visible in the Act of March 23, 1934. 3/

1/ Reichsgesetzblatt I, 162, - Gesetz über die vorläufige Anwendung zweiseitiger Wirtschaftsabkommen mit ausländischen Staaten.
2/ Gesetz zum Schutze der deutschen Warenausfuhr.
3/ Gesetz über den Verkehr mit industriellen Rohstoffen und Halbfabrikaten, Reichsgesetzblatt, 1934, I, 212.

On its basis eleven supervisory boards (Ueberwachungsstellen) were established:

1.	For tobacco,	in Bremen,	Aug. 27, 1934
2.	Industrial fats,	in Berlin,	July 6, 1934
3.	Wool and other animal hair,	in Berlin,	March 26, 1934
4.	Cotton,	in Bremen,	March 26, 1934
5.	Cotton yarn,	in Berlin,	August 17, 1934
6.	Bast fibers,	in Berlin,	March 26, 1934
7.	Hides and skins,	in Berlin,	April 9, 1934
8.	Rubber and asbestos,	in Berlin,	August 27, 1934
9.	Carbon black,	in Berlin,	August 17, 1934
10.	Non-precious metals,	in Berlin,	March 26, 1934
11.	Iron and steel,	in Berlin,	August 13, 1934

On July 3, 1934, a statute was enacted that gave the Minister of Economics the power "to execute all measures within his departmental competence, which he deems necessary to further the German economy and to prevent or abolish economic damages." 1/ On the basis of this empowering Act, the Minister of Economics issued on Sept. 4, 1934 a decree which became the basis for the allocation of raw material. 2/ The decree empowered the Minister of Economics to supervise and regulate the Verkehr of commodities, that is, all transactions in commodities, and to issue, especially, rules regarding their procurement, distribution, storage, sale and consumption. He was also empowered to enact rules for accounting to establish Supervisory Boards, Ueberwachungs-Stellen, to which he could delegate his functions.

4. The Supervisory Board.

The Supervisory Boards were juristic persons who have to finance themselves independently. They were headed by Reich Commissioners (Reichsbeauftragte) with one or several deputies appointed by the Minister and subject to

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1/ Gesetz über wirtschaftliche Massnahmen, Reichsgesetzblatt I, 565

2/ Verordnung uber den Warenverkehr, Reichsgesetzblatt, I, 816

his directions. He was advised by a Council (Beirat) which is equally appointed by the Minister. The councils are, as a rule, composed of the representatives of the Groups (economic, trade, sub-trade groups) operating in the field that came under the supervision of the supervisory board. These often act as the mediating agency between the entrepreneur and the Reich commissioner, especially in case of conflicts. 1/ The supervisory boards were financed by fees and contributions levied upon the entrepreneurs. They were entitled to request any kind of information on economic activities as provided for in the decree of July 17, 1923. 2/ The decree enacted penal provisions, shifting the burden of proof from the Minister to the entrepreneur in question. If a punishable act is committed, a fine up to 300,000 Marks could be levied upon the entrepreneur, unless he could prove that he had acted with all necessary care. The Reich commissioners were equally permitted to levy fines up to 10,000 Marks, merely by registered letter.

The first executive decree of September 4, 1934 3/ then brought the establishment of the Supervisory Boards. The eleven above mentioned were all retained but made subject to the Decree of Sept. 4, 1934.

The following new boards were established:

12. Timber, in Berlin
13. Horticultural products, beverages and other food, in Berlin
14. Coal and salt, in Berlin
15. Mineral oil, in Berlin
16. Chemicals, in Berlin
17. Silk, artificial silk, clothing and related spheres, in Berlin
18. Furs, in Leipzig
19. Paper, in Berlin
20. Technical products, in Berlin
21. Commodities of various kinds, in Berlin

Besides, four existing Reichsstellen under Food Estate were named as Supervisory Boards; namely:

1. Grain, fodder and other agricultural products.
2. Cattle and animal products.

1/ Mölders, Vol.IV, part IV, Warenverkehrsverordnung, Allgemeines, p. 16 and p. 13.
2/ Verordnung über die Auskunftspflicht, Reichsgesetzblatt,I,723.
3/ Verordnung über die Errichtung von Ueberwachungsstellen

3. Dairy products, oils and fats.
4. Eggs

The Supervisory Boards changed their names to Reichsstellen (Reich Boards), and their number increased to 31.

5. A Case Study of the Metal and Iron and Steel Industry.

Let us now try to describe the operation of the Supervisory Boards at the time of their establishment and then trace the subsequent develbpments up to 1941. 1/

A case study may be made of the operation of the supervisory board for the metal industry.

The first task of the supervisory board was thedetermination of its jurisdiction. What are the commodities that come under the power of the board? The board answers this question by referring to the Import Number of the Statistical Commodity List. 2/ It published a list which refers, on the left side, to the number of the above list and, on the right side enumerates the commodity that comes under control.

It then proceeded to enact rulings (Anordnungen), which are numbered. The first ruling of the supervisory board Iron and Steel of August 21, 1934, established the duty of all entrepreneurs that produce, process, have in stock, or trade in, specific commodities mentioned in the ruling to register with the supervisory boards. The registration is simple. It contains merely the name and address of the firm, its legal representatives, the kind of enterprise (mine

1/For the early stages I used the following material: Heinrich Troeger, (ed) 1. Die Anordnungen der Ueberwachungsstellen für die Metallindustrie; 2. Die Anordnungen der Ueberwachungsstellen für die Textilindustrie, 3. Die Anordnungen der Ueberwachungsstellen für die Leder, Kautschuk, Asbest, Russindustrie, Fettversorgung, Tabakindustrie: three pamphlets of the Frankfurter Zeitung, 1935; Harold Hasch and Hans Hartenstein, Die neue Devisengesetzgebung, Berlin, 1935.
2/ Einfuhrnummer des Statistischen Warenverzeichnisses

or steel mill, etc.) and the commodities that are produced, processed, held in stock, or traded with. No quantities or needs are to be registered.

The ruling No. 3 of August 25, 1934, then prohibited the acquisition of commodities, specifically emmerated in the ruling, without previous permission of the supervisory board, if obligations arise from the acquisition the performance of which needs consent of the Devisenstellen. This ruling is thus outwardly strictly within the requirements of exchange control but merely vested control in the supervisory boards. Yet the next ruling showed that the aim is much more far-reaching.

Ruling No. 4 of September 4, 1934 prohibited the utilization of Gussbruch for the production of pig iron and certain steel products without the consent of the board. This ruling transcended already the aims of exchange control but does not yet affect the allocation of raw material.

The second step in the rationing system is the registration of stock. This was enacted by ruling No. 5 of September 14, 1934 establishing the duty of entrepreneurs holding stock in commodities mentioned in the ruling to send monthly stock lists to the supervisory board. Ores, scrap iron, steel and steel products were affected.

This registration duty was extended by ruling No. 8 (November 5, 1934) extending it to all importers that have between January 1, 1933 and the day of the ruling's enactment, imported commodities listed in the ruling.

6. A Case Study of the Non-Precious Metals Allocation

The procedure of the Supervisory Board Non Precious Metals is almost identical- although the registration duty is far more comprehensive (ruling No. 1 of May 2, 1934). More numerous are also the restrictions on the use of non-precious metals, and much more comprehensive. Copper, lead, zinc and tin came under even stricter control. The number

of persons entitled to produce or trade in non-precious metals was frozen (ruling No. 5 of July 3, 1934). Merchants not professionally engaged in this trade before March 29, 1934 could not take it up without permission of the board. The rulings further distinguished between production for export and domestic needs. The restriction on the use of non-precious metals were not applicable to exports (i.e.ruling No. 13 of September 25, 1934 and October 18, 1934). The ruling dealt very elaborately with the problem of stocks. Stocks of non-processed non-precious metals must not exceed the needs for three months production based on the average production of the first quarter of 1934 (ruling No. 14 of September 25, 1934). The acquisition of non-precious metals was, in consequence, prohibited if the stocks were sufficient (ruling No. 15 October 4, 1934). Hoarding was thus prohibited.

The final step is the issuance of Bedarfsbescheinigungen (certificates of requirements). Ruling No. 20 (December 8, 1934), was combined with general restrictions in the use of non-precious metals. The ruling No. 21 of December 12, 1934 (to cite an example) fixed for the first quarter of 1935 the quotas of non-precious metals that producers could use. Lead, cadmium, copper, copper alloys, nickel, mercury, zinc and tin were subject to such restrictions. The growth of armament industry is, however, already apparent in the quotas which, for some products exceeded the production quota for the first quota 1934, in one case by 90%. Every quarter of a year, the Supervisory Board published such general quota regulations.

These regulations did not say anything about who is to receive raw material and this tended to become the decisive problem. The first step in the solution of this problem is made by the issuing of the above mentioned "Bedarfsbescheinigungen"(ruling 20 of December 8, 1934 and announcement No. 4 of the same date). Producers and dealers with non-precious metals could be supplied only on the basis of Bedarfsbescheinigungen issued by the Supervisors Board. Smaller plants of handicraft and industry with lower needs had to apply to their Chambers of Handicraft, respectively

of Industry and Commerce, which issued the certificates. Even the supply of non-precious metals within a vertical combine from one to another plant was subject to this regulation.

This ruling, therefore, fully introduces a system of allocation of non-precious metals. Control of raw-materials has thus become organizationally and functionally independent of exchange control.

This situation remained approximately unchanged up to the outbreak of the war. Since then, and shortly before, the whole structure has been radically revised several times.

7. Changes at the Outbreak of the War.

The decree of August 18, 1939 (Reichsanzeiger No.192) changed the name of the supervisors boards to Reichsstellen (Reich Boards) and published those then in existence. Their number has grown to 28, namely,:

1. Grain, fodder, etc.
2. Cattle and animal products
3. Dairy products, etc.
4. Eggs
5. Timber for import, dissolved and newly created, (September 5, 1939 Reichsgesetzblatt I, 1677.)
6. Horticultural products.
7. Wool, etc.)
8. Cotten)
9. Cotten yarns, etc.) Coordinated,
10a Silk, etc.)
10b Clothing)
11. Bast)
12. Metal
13. Iron and Steel
14. Industrial Fats
15. Leather
16. Rubber, etc.
17. Carbon Black
18. Mineral Oil
19. Chemistry
20. Tobacco
21. Coal-Salt
22. Furs

23. Paper & Packing
24. Technical Products
25. Commodities of various kinds.
26. Precious metals
27. Coffee

For the spinning industry (Spinnstoffwirtschaft) a Special Deputy (Sonderbeauftragte) was appointed who coordinated the activities of the Reichsstellen Nos. 7, 8, 10a and 11 and who was entitled to give orders to each of the five Reich Boards. 1/ Three additional Reichsstellen have been established.

28. Potash & Salt - September 9, 1939 (Reichsanzeiger No. 211)
29. Stone and Earth - September 15, 1939 (Reichsanzeiger (source not given) No. 216)
30. Fish - November 18, 1940 (Reichsgesatzblat I, 1517)

so that the whole number amounted to 31.

(2) The general laws referring to raw material control were tightened, the powers vested in the Reich Boards, were considerably increased, and the activities of the Reich Board have extended to the rationing of consumption goods.

The legal basis became the amended Verordnung über den Warenverkehr of August 18, 1939 2/ which we have already discussed in its previous formulation. The changes are of no importance.

The power to control consumption, already contained in the above mentioned decree on commodity transactions, is then specified in the Verordnung über die Verbrauchsregelung für lebenswichtige gewerbliche Erzeugnisse November 14, 1939. 3/ This decree vested the power to regulate

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1/ Verordnung des RWM of September 3, 1939, über die Einsetzung eines Sonderbeauftragten für die Spinnstoffwirtschaft, Deutscher Reichsanzeiger, No. 204.
2/ Reichsgesetzblatt I, 1430
3/ Reichsgesetzblatt I, 2221 issued on the basis of the commodity transaction decree.

consumption in the Minister of Economics, the Reich Boards or other appointed agencies and entrusted the execution to the above mentioned apparatus, the Economic Food and Timber offices. It is this decree that introduced the Bezugskarten (Rationing Cards) for regular needs and the Bezugscheine (Supply Certificate) for general needs. It is this decree which promulgated the whole basis of the system of rationing of consumption goods. We are not concerned with this aspect. We are only concerned with the allocation of raw material, especially to producers.

The last general regulation which must be mentioned before we discuss the changes is the decree of March 4, 1940 1/, enacted by authority of the commodity transactive decree of August 19, 1939. It dealt with the effects of the attachment of commodities if and where such attachment orders are issued. An Attachment of a commodity issued by a Reich Board made any legal transaction, any kind of transaction and physical change, any transportation punishable. The attachment froze the commodities, so to speak, to the place and condition in which they were.2/

8. Iron and Steel Allocation 1939-1942

Let us now discuss the operation of a number of typical Reichsstellen, Reich Boards, since the outbreak of the war. The Reichstelle Iron and Steel has come to divide its rulings into the following categories:

I. Anordnungen (orders): they contain the more general

1/ Verordnung über die Wirkungen der Beschlagnahme für die Regelung des Warenverkehrs, Reichsgesetzblatt I, 551.

2/ Such attachments have been issued with the outbreak of the war for:

I. Agricultural products
II. Timber
III. Industrial products, namely:
- Fur
- Leather
- Spinning Material
- Mineral oil
- Rubber
- Gold, etc.

rulings on rationing and prohibitions of production and use and are published in the Reichsanzeiger.

II. E. Anordungen (E Orders): they contain restrictions on production of special commodities (not published).

III. Anweisungen (Directives): they regulate problems connected with the rationing of products of iron and steel (not published).

IV. Rundschreiben (Circular Letters): to a limited number of entrepreneurs (not published).

V. Auflagen (Impositions): The imposition of specific conditions upon specific entrepreneurs (not published).

After the outbreak of the war, a complete rationing of scrap iron was introduced 1/. Enterprises were forbidden to buy scrap on the market. All mills have to buy scrap from two scrap cartels, according to the territory in which they were located.

The major function of the Reich Boards was, however, the elaboration of a quota system that would allow the selection of worthy entrepreneurs. The first quota system of the Reich Board Iron and Steel was introduced in the Anordnung No. 22 2/ and elaborated step by step, until the Anweisung No. 25 3/ codified the whole system. The quota system (Kontingentierungssystem) is a steering of consumption.

The production of the iron producing industry (steel and rolling mills) and the product of the foundries is allocate every 3 months to so-called Kontingentsträgern (quota or claimant agents). The quota agents have to cover their needs within each quota quarter from the thus allocated quota.

1/ Anordnung 42 of 7. IX 39 Reichsanzeiger No. 208, 7. II 39.
2/ Of February 23, 1937 - Reichsanzeiger No. 44 Feb. 23, 1937
3/ Of January 25, 1940, Mölders Vol. II. Part IV Auftragsregelung, Eisen-und Stahlbewirtschaftung pp. 21-44.

The Minister of Economics, through the Reich Boards, therefore allocated quotas to quota agencies out of which the consumers have to cover their raw materials. The quotas are divided into the following groups:

1. Vollkontingente - full quotas

   a) public -
   b) private -

ad a.) Public agencies have to cover their full needs from this quota.
ad b.) Private firms cover from this quota only their needs for the maintenance and expansion of plant, not for production.

2. Baukontingente - building quotas

3. Verarbeiter Kontingente - Processor's quota

This quota is allocated to the economic and trade groups of the iron processing industry and to handicraft. This quota covers:

a) the demand for products of steel mills, rolling mills and foundries for the purpose of processing and for the maintenance and expansion of plant and

b) the demand for finished goods, consisting wholly or partly or iron and steel insofar as the goods are incorporated in another product manufactured by this plant.

4. U Kontingente - U quotas (self supplying)

5. Sonderkontigente - Special quotas.

This quota system - which will be explained at once - is supplemented by restrictions on the orders of iron processing manufacturers. Its aim was to prevent that manufacturers of the iron processing industry ordered raw materials (output of steel mills, rolling mills, and foundries) exceeding their capacities. 1/

1/ Anweisung No. 23 Mölders Vol. II. Part IV. Auftragsregelung-Eisen-und-Stahlbauwirtschaftung pp. 12-13.

The Anweisung No. 25 of January 25, 1940 contained, as we already mentioned, a codification of the whole system of rationing, allocations and priorities, prevailing in the iron and steel industry. It was also applicable to the Protectorate and to Poland.

The operation will become clear if part of the quota list is reproduced.

Quota	Quota Agent	Quota Number
1. NSDAP	Reichszentrale für die Durchführung des Vierjahresplanes bei der NSDAP	P.V.
2. ARMED FORCES	Supreme Command of the Armed Forces Wehrwirtschafts- und Rüstungsamt	W RUE
	Supreme Army Command	WHa
	Minister of Air	WL
	Supreme Navy Command	WM
3. Labor Service	Reichsleitung of the Labor Service	W Ro
4. Four Year Plan Construction	Reichstelle für Wirtschaftsausbau (RWM)	MG
5. Railroads	Minister of Transport	DR
6. Ports	Minister of Transport	RP
7. Canals	Minister of Transport	VM
8. Federal Auto Roads	Inspector General for Roads	G.I.
9. Göring Works	Reichswerke A.G., Hermann Goering	RHG

Numbers 1-9 have to cover their whole needs from the Vollkontingent (full quota).

10. Iron Producing Economic Group: Industry Iron Producing Industry.		EH
11. Mining	Economic Group: Mining	Bb
12. Non-Ferrous Metal Mills	Trade Group: Metal Producing Industry	MH

13. Private Railroads and Tramcars	National transportation group: Rail transport	Pb
14. Utilities	National Group, Power	GWE

etc.

They were altogether 28 quota agencies, many of them finely subdivided.

The list is self-explanatory. If a mine needed steel it had to apply for supply to its Economic Group "Mining" which had received for each quarter of the year a certain quota which it could not exceed.

The list of quota agencies reveals the enormous role that the self-governing business organization play in the framework of rationing of raw materials. All requirements for private industry - except the special quotas which were handled directly by the Minister of Economics - had to be addressed to the National Group, Economic Group or Trade Group which thus received power over life and death.

The codifying Anweisung of January 25, 1940 contained - to give a summary - the following:

(1) It distinguished the types of quotas.
(2) It promulgated a list of quota agencies.
(3) It promulgated a list of "iron and steel material", divided into 18 major positions.
(4) It promulagted provisions on terms of delivery, on stock, on inventorizing.

We repeat: we have dealt with the activity of the Reich Board Iron and Steel only insofar as it dealt with rationing of raw materials for producers - not for consumption goods.

9. Metal Allocation 1939-1942

Let us now study the operation of the Reich Board Metals during this war.

It began by taking again a general inventory 1/ and it promulgated a system of priorities cutting by 50% all now urgent requirements. All requirements for the execution of orders of the armed forces had to be carried out in full on the basis of Metallauforderungscheinen (Metal Requisitioning Certificates) 2/

Scrap had to be collected and delivered to recognized scrap dealers. 3/ It need hardly be mentioned that the restrictions on the utilization of metal grew by leaps and bounds. Yet there is one decisive difference between the procedure of the Reich Board Iron and Steel and of the Reich Board Metals. The system of establishing priorities and making allocations was left entirely to the Economic Group Metal Industry. 4/ Para. 2 of the Anordnung runs, "The distribution to the consumers of mill aluminum produced within or imported from without as well as of raw material of the metal groups XA (magnesium unalloyed) and XB (magnesium alloys) is delegated to the Economic Group "Metal Industry." "The economic group is further authorized to issue rules on the sale of certain aluminum alloys and scrap aluminum and rules relating to the processing of aluminum" - this in spite of the fact that the Reich Board Metals was equipped with a Reich commissioner who had the distinction of being a high SS leader.

1/ Anordnung M.I. September 3, 1939 Reichsanzeiger - No. 204, September 3, 1939.
2/ Bekanntmachung des Oberkammandos der Wehrmacht, January 18, 1940 Reichsanzeiger No. 17 January 20, 1940 and Merkblatt printed in Mölders Vol II Part IV Bewirtschaftung Metalle pp. 11-17.
3/ Anordnung 49 March 1, 1940 Reichsanzeiger No. 55.
4/ Anordnung M 2 September 3, 1939 Reichsanzeiger No. 204. September 3, 1939.

It must be added that the policies of the Reich Board Metals are supplemented by comprehensive price regulations of the Reich Price Commissioner 1/ who authorized the Reich Board to regulate maximum prices for metals, trade margins and discounts. The Federal Board, thereupon enacted a series of decrees fixing maximum prices, standard (Grund) prices, regulating discounts and additions, etc. 2/

On the whole, the procedures of the various Reich Board do not differ very much from each other.

10. The Rationing of Paper

We must, however, discuss at least one Reich Board which had special functions. This is the Reich Board Paper.

The history of the Reich Board Paper reveals best the complete emancipation of raw material control from exchange control. Paper control has today very little to do with foreign exchange control. It has become a means of excluding waste, stretching available supply and allocating it according to certain principles. Paper control, besides, reveals still better another major principle in the German organization; the interplay of Group, cartel, and state, or rather the increasing preponderance of the cartel and groups over the state agencies. It is not only that the groups are represented in the advisory council of the Reich commissioner - we have mentioned this fact; it is not only that they have become quota agencies (as in iron and steel) and not only that one or the other metal has been left to their rationing (as in aluminum). In paper the groups and still more the cartels actually become the agents which make the rationing plans and execute them.

1/ Verordnung über Preise für Metalle etc. October 8, 1939

2/ the major rulings are:

October 14, 1939	Reichanzeiger	No. 242 - Oct. 16, 1939	
" 14, 1939	"	"	" "
Nov. 24, 1939	"	No.277-279 Nov. 25 and 28,1939	
Nov. 25, 1939			

The Reichsstelle Paper operated by three types of enactments:

(1) Anordnungen (orders), published in the Reichsanzeiger, containing orders or prohibitions with universal application. They contained, besides, and increasingly so, the agreements among cartels and groups which were being raised to the rank of orders and then received the force of public commands.

(2) Regelungen (rulings) have an identical content as the orders but are not published.

(3) Individual Measure and Conditions addressed to or imposed upon specific producers.

The regulations relating to the rationing of paper and cardboard are extremely diversified. A detailed study would fill a book. We can only hope to present, as clearly as possibly, the outlines of the rationing system.

(A) The rationing system affects first the producer. We shall devote our attention primarily to this side and only incidentally mention the regulation of the consumer side.

The regulation of the producers side affects:

I. control of the raw material out of which paper is produced.
II. control of the process of production.
III. control of the delivery of the finished product.

ad.I. The control of raw material. The Reich Board applied various devices for controlling raw materials, namely with
(a) purchase permissions (Einkaufsbewilligungen)
(b) acquisition permissions (Bezugsgenehmigungen)
(c) processing permissions (Verarbeitungsgenehmigungen)

ad a). Purchase permissions are usually given if the prospective purchaser is faced with a large number of suppliers

and if the prospective purchaser, by utilizing his skill, must, due to the inequality of the commodity, have a choice where to buy.

ad b). Acquisition permission is usually granted if the circle of prospective suppliers is small.
ad c). Processing permissions regulate in detail the utilization of the raw material in question. Some instances may clarify the methods.

The second device which the Reich Paper utilized, was the control of production. The control of raw material must by necessity lead to much intervention so as to safeguard a steady supply in cheaper paper and to prevent producers from turning to the production of only profitable brands. For this reason, a number of orders contained specific regulations on the composition of the paper 1/. The most comprehensive regulations of this kind are those dealing with packing paper. 2/

Though the original idea of closing down unrationally working plants during the war has been abandoned and though production is not restricted to the so-called MOB Plants, nevertheless, a steady process of closing down of paper plants has been observed.

Control of delivery aims especially at the prevention of hoarding. Some regulations, therefore, provided that each month only a specific quantity of paper may be delivered.3/

1/ Anordnung No. 1 June 5, 1937, Reichsanzeiger, No. 127.
Anordnung No. 2 August 17, 1938 " No. 191.
2/ Regelung A III/39 January 1, 1939. Molders Vol. II, Part IV Papier-und Verpackungswesen pp. 61-62.
3/ Regelung P. II/39 of June 7, 1939 and July 10, 1939 for printing and writing paper. P. III./39 of June 15, 1939 of high quality cardboard.

Most of these regulations were rescinded after the outbreak of the war due to increasing scarcity and the preference for direct interference in the process of production developed under II. 1/

The rationing affects the consumers' side. The outspoken aim of the Reich Board was to encourage cartels on the consumers' side so as to be able to deal only with a few closed groups 2/. The Minister of Economics, acting on the basis of the compulsory cartel act, thus created by his decree of June 12, 1939 and September 5, 1939, the producers' cartel of packing papers. In other branches voluntary cartels were created. All cartels in the packing paper field were then joined to the Community "Packing Paper", another (holding) cartel. The cartel accorded to the consumers a right to collaborate with the producers for the control of supply. The cartel stood and stands under the supervision of the Minister of Economics.

A similar compulsory cartel was created for cardboard producers 3/

During the War, the whole paper industry was reorganized into 8 groups. Each of the groups was placed under the control of two War Deputies (Kriegsbeauftragte) selected from the ranks of cartel, group, and business managers 4/. To these war deputies the task of the Reich Board was delegated so far as the control of consumption was concerned.

1/ New formulation of ruling P. II/39 on November 23, 1939 Mölders Vol. II. Part IV. Papier-und Verpackungswesen Pp. 58-59
2/ See the commentary in Mölders Vol. II Part IV Papier-und Verpackungswesen pp. 15 and 16.
3/ January 2, 1940, Reichsanzeiger, No. 8.
4/ Molders on. cit. pp. 21-22.

But it soon turned out that they were incapable of carrying out the control of consumption since the distribution of paper was extremely difficult. A quota system had to be devised, a system which, - had it been carried out in a bureaucratic way - would never have functioned.

In consequence, the Reich Board (many others followed) turned distribution over to the cartels 1/. The cartels received the name of "Verteilungsstellen" - distributing offices. This fact has led many writers to give the cartel a new name "Bewirtschaftungskartelle", rationing cartels. 2/

The distribution of paper and cardboards was then regulated as follows.

There were two war deputies for each of the 8 groups of paper and cardboard. The war deputies had, in turn, entrusted this task almost fully to the cartels, the establishment of which has been actively encouraged by the Reich Board and, in some cases, has been made possible by compulsory cartellization.

Twelve (12) such distributing agencies exist - 10 are cartels, two are trade groups.

This means that in the Marktordnung Paper, it is ultimately the cartel that allocates paper to the consumer.

11. The Cartel as an Organ of Allocation 1939-1942.

A similar "reprivatization" of the allocation system of raw material had been achieved in the following Fields:

Coal - the 12 coal distributing agencies, identical in personnel with the 12 coal syndicates.

1/ Anordnung of January 8, 1940 - Reichsanzeiger No. 7.
2/ Leonhard Miksch "Bewirtschaftungskartelle" in Die Wirtschaftskurne 1940 No. 1. pp. 24-31.

Textile - the special deputy allowed the establishment of distributing agencies. 14 have been erected. Since no cartels existed in this field, it was the Trade Groups that became distributing agencies, - they thus assumed cartel functions.

Bricks - similar arrangements.

Batteries - the existing cartel was raised to the rank of a distributing agency.

Thus, the control of the economy has, in its most vital aspect, passed from the hands of public agencies into those of the cartels or groups - both dominated, as we have tried to show, by their mightiest members.

12. Building Materials and Construction

We have to deal with one more case before closing the discussion: namely control of building construction. This type of control combines two features:

rationilization, and

rationing.

By an edict of the Four Year Plan Office of December 9, 1938, a Commissioner General for Building Construction was appointed.1/ Although generally, as we have shown, the Commissioner Generals under the Four Year Plan are mere rationalization officials, the commissioner for building has also assumed the function of a Reichsstelle.

The function of the commission is namely:

a) to secure the fulfillment of all essential building projects, and
b) to increase the productivity of labor by rationalizing the process of construction.

1/ Fritz Todt, now Professor Speer. see above.

We can be very brief, since the rationing of building construction follows on the whole the pattern evolved by the Reich Board Iron and Steel.

The Commissioner established 19 quotas (Kontingente) with 19 quota agencies. His list looks like this.

1) Reichszentralstelle fuer die Durchfuhrung des Viergahresplans der NSDAP.

Quota	Quota Agent	Jurisdiction
1. NSDAP	Reichszentralstelle f.d. Durchführung d. Vierjahresplans d. NSDAP	Party buildings
2. Supreme Command of the Armed Forces	Wehrwirtschaftsamt	Buildings for the armed forces.
3. Mining	Ministry of Economics Main Department II	Plant constructions of members of the Economic group, - mining.
4. Iron Producing Industry	" " "	Plant Construction of members of the economic group, - Göring combine excepted.

A steel mill, etc. which wants to expand its plant must thus apply to the ministry of economics, main department II (Venöl) for the necessary raw materials that are rationed. Each jurisdiction is very carefully defined, i.e: the supreme command of the armed forces cannot under its quota construct dwellings for officers or NCOs, it cannot, under its quota, construct factories. It can only construct barracks, airfields, fortifications, etc.

To achieve increased efficiency, the Commission appointed regional deputies 1/

1/ see above.

B. The Reform of the Spring of 1942.

(1) Under the impact of the Russian disaster stringent measures were taken to reform the system of raw material allocation. At a given signal, National Socialist papers reveled in revealing the amount of cheating that has been going on under the old system. The changes consisted primarily in a consolidation of some Reich Boards, especially in textiles. They consisted further in the attachment of all stock piles of steel 1/, transmission belts, 2/ furnishings and equipment in restaurants, hospitals, etc. made wholly or in part of raw material (copper, brass, bronze, nickel) and alloys. 3/

It was in this period that the Speer Ministry established the Ruestungskontor, limited liability company. The function of this company was at that time to effect the redistribution of the attached iron and steel stock file and to engage in the financial transactions connected with this redistribution. It was also at that time that the Speer Ministry created the already discussed Main Committees and Rings. It was in that period that the four Reichsvereinigungen, that is all except the coal association, were founded. As a consequence, a new system of raw material control has been established for a number of commodities among which the following are to be mentioned:

(2) New Raw Material Allocation in the Iron and Steel Industry.

The system of code-numbers (Kennziffern) has been abolished and the quota system (Kontingent) was placed on a new basis. The new procedure followed that prevailing in the textile industry and operated in the following manner.4/

1/ Frankfurter Zeitung, May 9, 1942.
2/ Reichsanzeiger, No. 87, 1942, Microfilm No. 84.
3/ Reichsanzeiger, No. 88, April 5, 1942, Microfilm No. 84.
4/ Neue Zuercher Zeitung, June 21, 1942, MF 100
National Zeitung (Reichsausgabe) June 16, 1942, MF 100
June 12, 1942, MF 100

The Ruestungskontor, a limited liability company organized in the Speer ministry, established a Verrechnungsstelle, a clearing department, which opened a quota (or better an account) for each of the agencies that order iron and steel. The firms that use iron and steel dispose of their accounts by means of iron checks (Eisenscheine), which are certified by the clearing department. With this transaction, the intervention of the government agency comes to an end. The remaining transactions are of an exclusively private nature. The owner of the iron check issues under his own responsibility iron-transfer-checks (Eisenuebertragungsscheine) to his subcontractors up to the total amount of the total quantities to be supplied. If the subcontractors need to buy iron and steel material or finished goods in smaller quantities in order to fulfill their order, they, in turn, acquire iron-stamps from the Chambers by means of which they can buy the necessary materials. The Iron Check and Transfer Checks remain in the possession of the producers and, in contrast to the procedure of the Textile Boards, need not be surrendered to the Clearing Department, so that the methods are still simpler.

The accounts are established on a quarterly basis. Each Iron Check, however, contains a note (Vormerkung) indicating the prospective need for the following quarter. If an order exceeds the quota of the current quarter, a reservation is made for the entrepreneur assuring him the needed iron and steel.. Hoarding of steel is thus made impossible.

The decisive problem is, of course, how the quota (or accounts) with the clearing department are established. This was previously the job of the Commissioner General for Iron and Steel, Lieutenant-General v. Hanneken. v. Hanneken was, however, released from his position, and his functions were transferred to the Reichsvereinigung Iron and Steel. 1/ It is thus the iron and steel monopolies

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1/ Koelnische Zeitung, July 6, 1942, M F 137.

that allocate the quotas which are in turn handled as accounts by the clearing department of the new company in Speer's ministry.

The Ruestungskontor company then assumed over wider functions. Originally organized by the Speer ministry for the financing of all transactions caused by the attachment of all iron and steel stocks, and the compulsory redistribution of the stockpile, it then assumed the financing of the scrap collection and distribution, and finally superseded to gether with the Reichsvereinigung, the Reichsstelle Iron and Steel.

While the new method of iron and steel allocation did away with the system of code numbers, only a year later (on February 2, 1943) it became necessary to reintroduce the system to some degree. 1/ The Reichsstelle iron introduced Auftrags Steuerungs Nummern (Order Steering Numbers) for the identification of the orders placed for iron and steel. The order steering number identified the order in all its phases of processing and is identical with the number of the iron check which in turn corresponds to the quota number.

(3) New Raw Material Allocation in the Cellulose Wool Industry.

In this industry three stages of raw material allocation may be distinguished. 2/ They conform to the growth of productive capacity and to the change in the organizational pattern of the synthetic fiber industry. In the beginning, cellulose wool was allocated according to the financial participation of the stockholders (the textile industrialists) in the cellulose wool enterprises. 3/ This

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1/ Koelnische Zeitung, February 5, 1943.
2/ "Der Scheck Auf Zellwolle" in Der Wirtschaftsring, 1942, No. 27, July 3.
3/ See Behemoth, p. 281. and above p.

system could not be retained because the influence of the small and middle textile industrialists declined and combines arose in the cellulose wool industry. 1/

In the second stage, the textile Reich Boards, coordinated by a Special Deputy 2/ and his distributing agencies, 3/ allocated synthetic fibers according to the productive capacities of the processors.

The third stage followed the establishment of the Reichsvereinigung Chemical Fibers and the merger of the various Reich Boards. A cellulose wool check was introduced. Each processor received a check, embodying a certain quota, and entitling him to buy a certain amount of cellulose wool wherever he wants.

(4) New Raw Material Allocation in the Petroleum Industry.

The Reich Board Mineral Oils also reorganized the raw material allocation system.4/ Two allocation systems are in operation. The Economic Offices (Wirtschaftsaemter) issue Bezugsausweise (supply certificates) to consumers for petroleum used for lighting, heating and cooking. The Regional Economic Offices (Landeswirtschaftsaemter) determine every month, in cooperation with the Reich Boards, the amount of petroleum that each Local Economic Office has at its disposal. The supply certificates compel the consumer to buy from a specific retailer who has to note the amounts sold on the supply certificate.

The Reich Board itself issues Berechtigungsscheine (authorizing certificates) for wholesalers and big consumers.

(5) New Raw Material Allocation in Precious Metals 5/

Following the introduction of the "iron certificate"

1/ See Behemoth, p. 281.
2/ see above p.
3/ See above p.
4/ Ruling No. 45A of July 20, 1942 in Ol und Kohle August 15, 1942, M F 294.
5/ Deutsche Allgemeine Zeitung, September 14, 1942

for iron and the "metals certificate" for base metals, a "precious metals certificate" was introduced for the purchase of precious metals, according to a decree of the Government Office for Precious Metals 1/ Hereafter, the purchase of precious metals was to be contingent upon the presentation of these certificates. Applications must be made for only the actual quantity (net weight) of the precious metal which is to be used in the apparatus in question. The necessary corrections must be made in calculations for alloys. In the case of platinum, the application must be accompanied by a technical explanation of the necessity for the use of this metal. For army manufactures the application must be made through the branch of the army which has placed the order. Otherwise the application is made directly to the Reich Board. Precious metals certificates will be distributed only for the quantity of precious metals needed for carrying out the orders during a calendar period of three months.

(6) New Allocation Systems in the Building Construction Industry.

The Commissioner General for Building Construction (Space) revised the system of allocation in July 1942.2/

All building projects with war importance were ranked according to their urgency and were then entered into Wehrkreisrangfolgelisten (Army District Priority Lists). The projects were ordered according to:

a) Army Districts
b) Quota claimants
c) functional divisions
d) a priority within the functional division

The projects with war importence were given GB-Bau-Kennummern

1/ Reichsanzeiger No. 210.
2/ Asphalt und Teer. July 22, 1942.

(Building Code Numbers of the Commissioner General) within the above mentioned lists. The former priority lists were rescinded.

(7) Raw Material Exchange Between Germany and Occupied Europe and Foreign Countries.

A completely new system of raw material import and export has been established for metals, iron, and steel. 1/ The new rulings apply:

1. to deliveries of metal (iron and steel) and metal products from Germany to the occupied territories and other foreign countries;

2. to deliveries of metals (iron and steel) and metal products from the occupied territories and other foreign countries to Germany;

3. to transactions within the occupied territories;

4. to supplies and deliveries from and to foreign countries for the execution of German armament orders.

Only some of the methods will be mentioned below.

The key agencies for the allocation of metals, iron and steel in the relation between Germany-occupied territories-foreign countries are the six Zentral-Auftragsstellen (Central Order Agencies) at Brussels, Paris, The Hague, Oslo, Belgrade, and Copenhagen working under the direction of the Metal Clearing Office established at the Reich Board. Deliveries from Germany to the occupied territories and to foreign countries may only be made with Metal Certificates (Metallscheinen) issued by the Zentral-Auftragsstelle. Deliveries from Germany to foreign countries other than occupied territories require, in addition, the

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1/ Ruling No. 1 of the Reichsstelle Metals of July 31, 1942 and Ruling No. 1 of the Reich Board Iron and Steel of August 4, 1942, in Metallwirtschaft, Wissenschaft, Technik, August 21, 1942, M F 294.

cession of quotas (Bezugsrechte) to the Clearing Office. Deliveries from the occupied territories to Germany may be made only if the corresponding quota is ceded to the Reichsstelle by the consumer while the Reichsstelle has discretion whether or not to demand a cession in case of deliveries from foreign countries. Transactions within the occupied territories for German contractors may be made only on the basis of metal certificates.

C. Lenkungsbereiche or the Steering of Production.

On February 25, 1943, the whole system of raw material control was put on a new basis and so-called Lenkungsbereiche, spheres of steering, were established. It was preceeded by two other decrees: that of December 11, 1942 making the former chiefs, National Commissioners (Reichsbeauftragte), and that of December 12, 1942 2/instituting the Bewirtschatungsstellen. 2/

The spheres of steering were no longer oriented at the raw material but at the finished product and thus vertically organized the whole German economy.

1. The aim of the establishment of Bewirtschaftungsstelle is the following: In the future a factory should have dealings only with one agency. The Bewirtschaftungsstelle should thus be the agency where all governmental measures concerning this specific factory were concentrated. The directors of the spheres of steering were by this decree authorized to delegate to the Bewirtschaftungsstelle a number of functions, namely (a) the allocation of raw material and semi-finished works, (b) the elaboration of plans of production which were established by the directors

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1/ i c for steel pipes - Frankfurter Zeitung April 16, 1943 created by the Economic Group Iron, Steel and Metal Sheets as Bewirtschaftungsstelle of the National Commission Technical Products for wire rope - in cooperation with the Cartel (Gemeinschaft) Wire Rope, Dortmund - Berliner Boersen Kurier March 10 1942 and many others.
2/ Reichsanzeiger, No. 300, December 22, 1942.

of the spheres of steering, (c) the standardization of commodities for the allocation of specific production tasks to specific factories, (d) the control of the sale and (f) the giving of specific orders to specific plants in regard to production. The Bewirtschaftungsstelle are as a rule either cartels or economic, trade, or sub-trade Groups.

Many of the Bewirtschaftungsstellen have created Auftragslenkungsstellen (Order Distribution Offices) for their fields. These agencies distributed also orders received from government agencies among the members of the cartel or group according to their ability to produce efficiently, speedily and cheaply.

2. There are three types of spheres of steering.

Type I is controlled by National Commissioners (Reichsbeauftragte). They are, as a rule, the former directors of the Reich Board, although in the spring of 1943 the many Reich Board directors have been replaced by businessmen. The National Commissioners are, so to speak, sovereign in their field. They are not dependent upon their advisory councils.

Type II is controlled by the directors of the Economic Groups who, in this capacity, have received the title " Bevollmaechtigte" Deputies.

Type III is controlled by the Reichsvereinigungen.

The following list gives a complete survey of the spheres of steering as of May 1943: 1/

1/ The numbering of the list is the official German one.

3. A. Lenkungsbereiche of the Ministry of Economics

(Spheres of Steering)

I. Controlled by National Commissioners (Reichsbeauftragte)

1. Metals and Casts

a. Reich Board Iron, Metals, and Steel merged into one: "Iron and Metals"
b. Bewirtschaftungsstellen (cartels and groups)
c. Auftragslenkungsstellen
d. Arbeitsstab Fuer Metallumstellung 1/ Working staff for Metal Substitutes in cooperation with the Speer Deputy.2/

2. Precious Metals v. Schaewen

a. Reich Board Precious Metals

3. Small Iron Articles (Hardware) - Wolff (Alexanderwerk)

a. Reich Board for Technical Products - Schwarzkopf
b. Many Bewirtschaftungsstellen (group or cartels)

4. Chemistry Ungewitter

a. Reich Board Chemistry
b. Auftragslenkungsstellen

5. Fuels

a. Reich Board Fuels

6. Industrial Fats and Cleansing Products - Rhetorf

7. Rubber and Smokeblack

a. Reich Board "Rubber and Asbestos" merged with that for Smokeblack. Asbestos has, however, been transferred to Textile Reich Board 3/

1/ Deutsche Berswerkszeitung February 26, 1942
2/ See above p.
3/ Frankfurter Zeitung July 14, 1943.

8. Textiles

a. Merger of Reich Boards Cotton, Cotton Yarns, Silk, Rayon Cell Wool, Wool and Hemp into one "Textilwirtschaft" (Textile economy)
b. Arbeitsgemeinschaft Wool - H. Rausch (Leipziger Wollkaemmerei)

9. Clothing Hagemann

a. Reich Board Clothing
b. the 3 textile Reichsvereinigungen
c. Groups as Bewirtschaftungsstellen
d. Auftragsstelle "Sowing yarns" (the 4 cartels)

10. Leather and Leather Products Dr. Eugen Mohr, (Gau Economic Adviser, Danzig) 1/

11. Paper and Printing - Dr. Grass

Reichsbeauftragter Packing Materials - operating through: a. Reich Board, b. Arbeitsgemeinschaft (Packing Materials"

12. Glass and Ceramics - Dr. Hoffman

a. Sector: Glas - with 4 Bewirtschaftungsstellen, partly the groups, partly the cartels and the Gemeinschaft "Hohlglas"

Sector: Ceramics with Gemeinschaft "Gebrauchskeramik" 2/

Sector: Timber Processing
b. Reich Board Glas, Ceramics and Timber Processing

13. Timberware

14. Stone and Earth v. Engelberg (Dyckerhoff)

Reich Board Stone and Earth

1/ Deutsche Allgemeine Zeitung July 9, 1943.
2/ Frankfurter Zeitung March 24, 1943.

II. Controlled by the Director of the Economic Groups (Bevollmaechtigte)

15. Machine Construction K. Lange

a. Bewirtschaftungsstellen (groups or cartels)
b. Werkzeugbewirtschafter (tool controllers)
- for collection and clearing of all orders for tools. They have the functions similar to those of the Auftragslenkungsstellen

16. Electrical Engineering Lueschen (Siemens)

The Economic Group "Electrical Industry" has the rights of a Reich Board. 1/

17. Precision and Optical Instruments (Heinrichs , Zeiss)

a. Economic Group is Reich Boards
b. "Central office for Optical and Precision Instruments", to which Wehrmacht orders flow. Has the functions of an Auftragslenkungsstelle.

III. Controlled by Reichsvereinigungen

18. Coal

a. Reich Board Coal - Pleiger
b. Reichsvereinigung Coal - Pleiger
c. Coal Syndicates

19. Iron Production

a. Reich Board Iron and Metals - Zimmerman
b. Reichsvereinigung Iron - Roechling
c. Esge and other cartels - Zangen

20. Shoes

a. Gemeinschaft "Shoes" (National Compulsory Cartel)
b. Reich Board "Leather"

1/ See Braunkohle, September 12, 1942.

IV. Additions - Controlled by National Commissioners

21. Tobacco and Coffee

a. Reichsstelle "Tobacco and Coffee"
b. 4 Bewirtschaftungsstellen for tobacco (the groups)

22. Timber Construction

a. Has no Reich Board
b. Uses "Deutschen Holzbauverband" (cartel)
c. Jurisdiction: Construction of wooden houses, barracks and halls for industrial or handicraft use.
d. There are 6 quota claimants: the Supreme Command of the Armed Forces, Army, Navy, Airforce, the Reich Leader of the SS and Chief of the German Police and the Commissioner General for Building Construction (the latter for all civilian man requirements, especially barracks for foreign workers) 1/

A. Reichstellen without Lenkungsbereiche

Reichsstelle	Mineral Oils	- Raab
Reichsstelle	Furs	- Schettler
Reichsstelle	Potash and Salts	- Maenicke
Reichsstelle	Technical Products	- Dr. E. Kenna
Reichsstelle	Electricity	

B. Reichsstellen under the Ministry for Food and Agriculture

1. Grain, Fodder and other Agricultural Products - Dassler
2. Animals and Animal Products - Pflaumbaum (not animal hair)
3. Fats and Eggs 2/Present Dr. Oskarzweigler 3/ Vetter

1/ Die Deutsche Volkswirtschaft 1943 No. 21 p. 651
2/ From the merger of the Reichsstellen "Milk Products, Oils and Fats" and "Eggs", Koelnische Zeitung, May 22, 1943.
3/ N S Landpost June 4, 1943.

4. Garden and Vineyard Products - Luber

5. Seeds (Saatgut) 1/ - Peasant Dr. Albert Brummenbaum 2/

C. Reichsstelle under the Reich Forest Master

1. Forestry and Timber - Storck

4. The following considerations will help in understanding the system that has been established. The directors of the 22 spheres of steering may either be National Commissioners, Directors of Economic Groups, or the presidents of Reichsvereinigungen. They utilize for the execution of their tasks the Reich Boards, the Bewirtschaftungsstellen or other agencies, such as the "Auftragslenkungsstellen".

Three basic types of control may be distinguished:

a. The Reich Board may leave it to the big quota claimants to decide in which way they want to utilize the raw material quotas allocated to them. This is especially true for the armed forces which dispose of quotas on iron, metals, textiles, and leather. They determine what kinds of goods are to be produced from these raw materials.

b. A second group is constituted by those quota claimants which merely distribute raw material as agents of the Reich Boards. The Shoe Community, for instance, obtains from the Reich Board Leather the quota out of which the amount of leather necessary for civilian footwear is covered. Within the sphere of steering Shoes, for instance, and within many other spheres of steering, the Regional Economic Offices, which have the power to allocate quotas for shoes, mineral oil, tires, etc., fulfill the job in their economic districts. The Gau Economic Chambers, for instance, distribute transmission belts in their district. The Groups distribute other commodities. Paper for newspapers is allocated by the Reich Press Chamber, paper for books by the Propaganda Ministry.

1/ Established June 1943.
2/ N S Landpost June 11, 1943.

c. A third group are those organizations which, within a sphere of steering, almost independently allocate raw material.

The previous list gives but an incomplete picture of the various systems applied.

As a consequence, the directors of the spheres of steering are no longer in direct contact with individual plants. The director, as a rule, delegates most of his functions to the Bewirtschaftungsstelle, (the cartels, the Groups, or other agencies). He assumes, however, full responsibility for his sphere of steering, that is for import and export, for production, distribution and consumption. He controls the commodities from the raw material to the finished products. He elaborates the production plans in agreement with the Minister of Economics and/or the Speer Ministry. In all these functions, the latter cooperate with the Bewirtschaftungsstelle.

III.

Price Control

1. Basis of Price Control and the Price Stop.

The legal basis of price control is the Act for the Execution of the Four Year Plan creating the Office of a Reich Commissioner for Price Formation (October 29, 1936). "For the control of price formation of goods and services of all kinds, especially for all needs of daily life, for the whole agricultural and industrial production, and for the transportation of goods and commodities of every kind, and for other compensations, a Reich Commissioner is appointed". Subject to his authority are thus prices for commodities and services of any kind: rents, transportation rates, admission tickets, dues, postal fees and railroad fares, commissions and school fees, fees for legal and medical services and all agricultural prices. Exempt are only wages for which special legislation has been enacted. On June 3, 1939, a penal decree was enacted, which calls for imprisonment (up to five years) and fines without limitation for intentional or negligent violation of the statute and the rulings of the Price Commissioner. It must be stressed, however, that violators may also be punished as Volksschaedlinge , and sent to death.

The first Price Commissioner, Gauleiter Joseph Wagner, enacted on November 26, 1936 the socalled Price Stop Decree. Price increases for food, and services above the level of October 18, 1936 were prohibited and prices as they were on this date were frozen. Nevertheless, the decree authorized the price control offices to grant exemptions which soon became the rule. Ordinarily, the Reich Commissioner decides upon exemptions for rates of public utilities if they operate in the whole national territory, upon price changes of organizations, including the Food Estate, upon all cartel prices, and upon special cases of major importance. All other exemptions have to be granted by the Price Forming Offices. 1/

1/ Ruling No. 60/39 of June 29, 1939. in Moelders, Der Viertahresplan Vol II Group 6 pp. 20c-20f.

The basic enactment during the war is the War Economy Decree of September 4, 1939 (sections 22-28). "Prices and compensations for goods and commodities of any kind must be calculated according to the principles of an economy committed to war". This decree is, of course, not very illuminating and, consequently, it is the executive decrees to this provisions in which the price policy of the Nazi system is expressed.

2. Types of Prices

The following types of prices developed by legislation of the Price Commissioner.

1. Prices fixed by cartels and similar agreements (Decree of November 23, 1940).
2. Stop prices, to which the price stop decree of November 26, 1936, applies.
3. Prices to which the price stop decree does not apply because a stop price cannot be ascertained or because new commodities are produced that were not produced in 1936.
4. A whole range of administrative prices fixed by the Price Commissioner for specific commodities, such as leather and spinning yarns.
5. So-called R.P.O. prices of March 24, 1941.
(The R.P.O. applies to Government orders in fields where the Government competes with private buyers as, for instance, in shoes, boots, cloth, etc.)
6. So-called L.S.O. prices of November 15, 1938.
The L.S.O. is applicable exclusively to Government orders executed on a cost-plus basis.
7. Maximum, minimum and standard prices.

3. Government Orders.

R.P.O. prices were not different from the prices on the civilian market. The government where it competed with private buyers, had to pay cartel, R.P.O., or administrative prices. If, however, such prices could not be ascertained, the L.S.O. price was valid for the R.P.O. prices (Section I No. 7 R.P.O.) so that the L.S.O. extended beyond its specific terms of reference.

Another important exception was contained in Section I, No. 8 of R.P.O. It provided in general that for orders of the same kind of work a uniform price should be agreed upon, even if the order was to be carried out by different entrepreneurs. If circumstances required it (i.e. location or political reasons such as support for suffering regions), group prices (gestaffelte) might be agreed upon. Performances were regarded equal if the product, quantity, period of delivery, conditions of delivery and payment were identical. The uniform prices were to be based on the production costs of an entrepreneur of medium performance. Section I, No. 9 went still further. It provided that in case of a renewal of orders, the previously agreed uniform price should prevail.

4. The Failure of the Price Policy

The price policy did not work very well for reasons that will become apparent in the following discussion. The difficulties could be solved by the Price Commissioner in the following way:

1. He could either continue to accept cartel prices and the const-plus system as the basis for government orders. This would not create an incentive for rationalization and would, at the same time, ensure high profits to all producers whose costs were lower than those of the least efficient cartel member.

2. He could continue the system and try to remedy certain abuses.

3. He could abolish the system of cartel and cost-plus prices and substitute a completely different pricing system.

Josef Wagner as Price Commissioner adopted the second method by three measures:

1. He enacted legislation pertaining to cartel prices (November 23, 1940), 1/

1/ See above pp.

2. He enacted an excess profit tax legislation (March 11, 1941); 1/

3. In two directives, addressed to the National Groups Industry and Trade, he insisted on the lowering of prices.

Wagner's policy failed. It is admitted that his campaign inaugurated in the spring of 1941 for the lowering of the total price structure was a dismal failure. 2/

The problem with which his successor was faced was whether to continue Wagner's campaign, to allow an increase in prices, or to retain the prevailing price structure and merely to provide incentives for more production within the given price structure.

5. Pressure for a New Pricing System.

The new Price Commissioner, Dr. Fischboeck ruled out price increases. 3/ He was apparently under strong pressure to allow price increases especially for consumption goods. This pressure came from financial circles who, afraid of inflationary dangers, pointed to the free purchasing power, and demanded price increases in order to absorb it. Fischboeck resisted this demand for a number of reasons. He, quite correctly, insisted that the absorption of free purchasing power is primarily the responsibility of the Ministry of Finance which should enact higher taxation if it is deemed necessary. But he also believed, again correctly, that inflationary dangers do not exist. In an economy that is almost bare of luxury and many vital consumption goods, and that is subject to a total and tight rationing system, the free purchasing power can either be hoarded or go into the coffers of the savings banks. Fischboeck, believes, therefore, that the danger of inflation can be averted only by voluntary savings. The savings, in turn, will be used for war financing. 4/ Saving, however, necessitates confidence.

1/ Behemoth, pp. 316-317.
2/ Der Deutsche Volkswirt, April 24, 1942, No. 30.
3/ Voslkischer Beobachter, April 16, 1942, Microfilm No. 19; Frankfurter Zeitung, April 16, 1942 and many others.
4/ Die Deutsche Volkswirtschaft, 1942, No. 12 (April).

Confidence, again, will be promoted by price stability.1/ The arguments are basically sound and have found almost unanimous approval.

The second pressure came from the Food Estate. Its director, R. Reischle, argued in a series of articles 2/ as follows:

The famous "price scissors" between industrial and agrarian products have opened again. The discrepancy between industrial and agricultural prices has apparently deepened. 3/ The price scissors must therefore be closed by adjusting farm prices to those of finished industrial goods. Fischboeck resisted this pressure with vehemence, admitting, however, that the income development of the farm population remained precarious, while observers, equally admitting the justice of the Food Estate's demands, referred the farmers to other means for raising their income, especially to the appointment of Peukert as Special Deputy for Agricultural Labor Supply who would supply the farmers with plenty of cheap manpower. 4/

With the general raising of the price level thus eliminated, the problem was whether to lower prices or to stabilize the present level. While the new regulations will, indeed, lower the prices for government orders, this is not the aim of the New price regulations. Their aim is rather to provide a stimulus for more production. 5/

1/ See especially Deutsche Bergwerks Zeitung, Mar. 21, 1942.
2/ Quoted in Frankfurter Zeitung, April 13, 1942 (Microfilm No.20
3/ The development is as follows: (1913= 100)

	1936	1937	1938	1939	An1941	Ma1942	June 1943
Agrarian products	103.2	104.7	106.8	107.6	111.8	112.7	119
Industrial finished goods	122.8	126.0	125.5	126.5	132.7	132.2	135
Consumer's goods	130.0	135.8	135.0	137.0	147.3	148.1	151.1

4/ Frankfurter Zeitung, April 13, 1942.
5/ Fischboeck according to Europa Kabel, April 17, 1942.
According to Berliner Boersenzeitung, July 4, 1942, Microfilm No. 135, the savings of the government due to Uniform and Group prices amount to 10 percent.

In two fields, however, handicraft and trade, Fischboeck reopened Wagner's campaign for a lowering of the price structure. 1/ This aspect will not be discussed because there is not yet sufficient material. The policy should, however, be in line with previous policies, namely: to cut trade margins 2/ thereby shifting the burden to the weakest stratum in society, the middle classes, and using the price policy as a means of combing-out wholesalers and retailers.3/ A far reaching ruling has, indeed, cut the trade margins for retailers and wholesalers in the Iron and Metal Ware Trade. 4/

6. The Price Legislation of February 1942

1. "Fixed Prices". A large number of cartel agreements on sales prices have been summarily extended until January 1, 1945 5/and the duty of the cartels to register with the Price Commissioner has likewise been suspended for a large number of cartels.

2. The re-enactment of the L.S.O. with the intention of lowering the L.S.O. prices, discussed on p.

3. The substitution of "Unit" and "Group" Prices for L.S.O. Prices. The legislative basis is:

(a) Directive of the Four-Year-Plan Deputy on the Price and Profit Estimates for Armament Orders of November 6, 1941.

(b) Ruling of the Price Commissioner of February 2, 1942.

4. General Rules for Industrial Cost Accounting as prepared by the National Group Industry and approved by the Minister of Economics and the Price Commissioner.6/

1/ Directive of the Price Commissioner addressed to the National Group Trade. See: Koelnische Zeitung, March 15, 1942; Directive of the Price Commissioner addressed to National Group Handicrafts Der Deutsche Volkswirt, March 13, 1942, No. 24.
2/ See: Behemoth, p. 283 and the decree of December 23, 1940, (Frankfurter Zeitung, February 7, 1941) further cutting trade margins for cloth and textile trade.
3/ However: the report of the Economic Group Retail Trade as published in Koelnische Zeitung, January 15, 1942, emphatically denies that the cutting of trade margins ever had this effect. The report asserts that the retailers just still more "tighten their belts".
4/ Berliner Boersenzeitung, June 11, 1942; Microfilm No. 71
5/ Koelnische Zeitung, April 3, 1942.
6/ Koelnische Zeitung, April 3, 1942.

5. The introduction of maximum prices for Second Hand Commodities of January 21, 1942. 1/

6. Ruling of the Price Commissioner addressed to the National Group Handicrafts demanding the lowering of prices. 2/

7. Ruling of the Price Commissioner addressed to the National Group Handicrafts ordering the lowering of profits. 3/

8. The Profit Control Decree of March 31, 1942 with its First Executive Decree of the same date.

Let us take the production of the parts of a tank, such as treads, cog-wheels, or ball bearings. The general principle is to establish Uniform prices for the tank and its parts, valid wherever the tank or its parts are manufactured, either directly or by subcontracting. 4/ If subcontracting were excluded, the burden of lower prices could not be shifted from the combines to the small and middle plants.

A decree of May 15, 1942 5/ provides that a producer may demand a price cut from his subcontractor if he himself lowers the price. Should the article produced by the subcontractor not have a Uniform or Group price, he has to take an "adequate" price cut, usually of 10 percent.

From this system of Uniform prices, exemptions are possible. Usually two Group prices, sometimes, however, up to five may be established, and it is even possible to subdivide each group. 6/ The reason why Group prices instead

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1/ Frankfurter Zeitung, April 16, 1942, Microfilm No. 19, and Reichsgesetzblatt I, p. 43.
2/ Frankfurter Zeitung, March 15, 1942.
3/ Der Deutsche Volkswirt, March 13, 1942, No. 24.
4/ On subcontracting and farming-out see: Dr. Dichgans (of the Price Commissioner's Office) in Koelnische Zeitung, March 25, 1942 Uniform and Group Prices are definitely applicable to subcontracting . See: BB, February 26, 1942.
5/ Bruss. Zeitung, June 6, 1942, Microfilm No. 68.
Neue Zuercher Zeitung, June 2, 1942, Microfilm No. 71.
6/ Berliner Boersenzeitung, February 26, 1942.

of Uniform prices are established lies exclusively in the differences of the production costs. The Uniform prices disregard these differences. The Group prices reintroduce them to a limited extent. It may be that for military reason the location of a plant is unfavorable and causes higher production costs, 1/ or it may be that the demand for a commodity is so high that the shutting down even of inefficient plants must be prevented. 2/

The Uniform prices are estimated on the basis of the production costs of a "good" plant, that is, a plant with a high output per manhour. 3/ The consequences are obvious. Firms that have production costs above those of a "good" plant must either suffer a loss of profits, rationalize production, or go out of business unless Group prices are established, allowing them to join a higher Group price.

The principle of Section II, No. 8 of the R.P.O. has thus become the basis for the new price system with the differences, however, that the medium-cost producer of the R.P.O. has been replaced by the low-cost producer.

German economists have now discovered the value of the American 5 and 10 cent store, (Einheitspreisgeschaeft).4/ While the 5 and 10 cent store has been frowned upon by German legislation and the middle class philosophy of National Socialism, the Nazis now discover the great economic value of the American system, 5/ a system which simplifies and cheapens sale, rationalizes purchase and supports small industry to which uniform employment is guaranteed. While

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1/ Berliner Boersenzeitung, February 26, 1942.
2/ Ibid.
3/ See: the extensive discussion by Franz Sternal in Der Deutsche Volkswirtschaft, 1942, No. 14 (May)
4/ Frankfurter Zeitung, April 8, 1942.
5/ Especially Der Deutsche Volkswirt, May 22, 1942, Nos. 34-35, p. 113-4.

this analogy may be rather far-fetched (although anti-5 and 10 cent store legislation may ultimately be rescinded) it is the cartel price which has undoubtedly served as a model. The Uniform price is nothing but a Cartel price valid for the whole territory, and based on the cost of the low cost producer. This is now admitted by the leading spokesman of the Federal Price Commissioner. 1/

7. The Significance of the New Pricing System.

The new pricing system will undoubtedly have a great influence. It provides a powerful incentive for concentration and rationalization, just as the normal cartel price does if it is fixed too low. An incentive strengthened by the Profit Legislation will undoubtedly make for a total integration of the whole German economy into combines. The new pricing system may well be considered the most important aspect of Germany's industrial reorganization.

According to the Economist,2/ about 30,000 articles are supplied to the armed forces. According to Fischboeck, one-third of all the orders for the armed forces are already priced under the new system. 3/ However, the Economist and Fischboeck must have different figures in mind, for in May 1942, Uniform and Group prices existed only for 1,600 products 4/ and early in June for 1,700 articles. While the Economist talks of the number for which Uniform or Group Prices will have to be established, Fischboeck speaks of the value of the armament orders already under the new pricing system. 5/

1/ Dr. Dichgans in Der Vier Jahres Plan, May 1942, No. 5, Microfilm No. 79.
2/ March 28, 1942.
3/ Voelkischer Beobachter, April 16, 1942, Microfilm No. 19.
4/ Frankfurter Zeitung, May 24, 1942.
5/ Bruss. Zeitung, June 6, 1942, Microfilm No. 68.

The extension of the new pricing system to civilian consumption goods is under discussion and is apparently now applied.

The old price stop decree has been continuously circumvented. 1/ primarily by adding some innovations to an old product and then calling it new, thereby bringing it outside the price stop decree. The substitution of Uniform and Group prices for the Price Stop Decree for civilian goods will be admittedly difficult, for, in contrast to government orders, there is a multitude of purchasers and, besides, the differences in production costs are too great. Also, while the cartel system, widely spread in the production goods industries, may be considered as a kind of rehearsal for the new pricing system, cartel prices in the consumption goods industries were and still are the exception. It is thus unlikely that the new system will be considerably extended beyond government orders. It will be applied to those civilian goods where the government competes with civilian purchasers.

8. Uniform and Group Prices.

The basis for the Uniform and Group prices is the changed L.S.O.2/ The L.S.O. has been reenacted partly because there are still products which cannot come under the new pricing system because they may be produced only once, or in limited quantities; and because, ultimately, Uniform and Group prices are based on production costs where the cost sheets "need not be too accurate". 3/ The new L.S.O. permits, in contrast to the 1938 regulation, deductions from the L.S.O. price is production is "unrational". 4/

1/ Der Deutsche Volkswirtschaft, 1942, No. 12 (April).
2/ Koelnische Zeitung, March 5, 1942.
3/ Frankfurter Zeitung, April 8, 1942.
4/ Koelnische Zeitung, March 5, 1942.

The new L.S.O. and, in consequence, the new pricing system are supplemented by the new ruling relating to Industrial Cost-Accounting 1/ issued by the National Group Industry after confirmation by the Minister of Economics and the Price Commissioner. It regulates problems of depreciation reserves, entrepreneurial profits, 2/ etc, which are not of concern here.

A few words must, however, be devoted to the relation between Uniform and Group prices on the one side and cartel prices on the other, though no reference to this important problem has been found and recourse must be had to speculation.

Raw material cartel prices are not affected by the new pricing system, for raw material does not constitute "produced articles". So far as coal is concerned, there is also no need for the government to fix prices different from the syndicate prices because the government is a member of many coal syndicates (Rhenish-Westfalian through ownership of Hibernia; Upper Silesia through fiscal mines, etc.) and thus participates in the price fixing as an entrepreneur. Potash prices are fixed b law. In all cases, where the government is not a buyer of raw material, it will have no interest in the price of the raw material but only in that of the finished product. As a consequence, rgw material cartel prices continue to be valid.

There are no cartel prices for armament goods, and, in consequence, the problem does not arise here. There are, however, cartel prices for commodities that may be interchangeably used by the government and by private buyers. In such cases, the prices for government orders will be the Uniform or Group prices; t ose for civilian consumption, the cartel prices. Mention has been made already that in all other fields cartel prices remain as they are.

The Uniform and Group prices are established by an Arbeitsstab, which is composed of representatives of the

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1/ Koelnische Zeitung, April 3, 1942.
2/ The examiners of the Price Commissioner are not allowed to pass upon the adequacy of the compensations received by the members of the Managing Board. This is left to the Minister of Labor.

Price Commission and of the Ministry for Armaments and Munitions. The chief of the Arbeitsstab is Dr. Guido Fischer, formerly professor of economics at the University of Munich.1/

9. Price Lowering and the Commercialization of Price Control.

Since the enactment of the Uniform and Group prices, the policy of the Price Commissioner has been entirely to lower the price structure without changing the legislative enactments. The following laws have been enacted in order to lower the price structure:

a. On cartel prices see above pp..

b. The latest trend in price control is the transfer of price fixing from the Price Commissioners office to the organizations of business.

The three Reichsvereinigungen for Chemical Fibers, Hemp and Textile Finishing have been authorized by a decree of March 4, 1943 to fix prices and trade margins. 2/ A similar authorization has been given to the Reichsvereinigungen Iron. 3/ Within a general framework set by the Price Commissioner, the Reichsvereinigungen will now fix all prices for all raw material, semi-finished and finished products. This trend is the expression of a general "commercialization" 4/ of economic controls.

10. The Legislation of August 11, 1943.

The Reich Price Commissioner codified, in a decree of August 11, 1943 5/ the existing price regulations pertaining

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1/ The Arbeitsstab is divided into various Groups according to the three services, and other public agencies.
2/ Koelnische Zeitung, March 18, 1943.
3/ Hamburger Fremdenblatt, February 18, 1943.
4/ This is Fischboeck's term of economic control in Germany.
5/ Berliner Boersenzeitung, August 17, 1943 and Deutsche Allgemeine Zeitung August 18, 1943.

to public orders (the so-called VPOE). The main points of the VPOE are:

1. Public orders are orders of the Reich, the states, the municipalities, the associations of municipalities and of all corporations of public law.

2. The Nazi Party, its formations and affiliates are subject to a special ruling to be issued by the Party treasurer.

3. Public Orders shall, if possible, be carried out to uniform and fixed prices.

4. Prices which have already been fixed by the Price Commissioner according to his principles for Uniform and Group prices fulfill the condition under 3.

5. Uniform and Group prices for armament deliveries (according to the decree of May 19, 1942) will be fixed by the Arbeitsstab. They will be established in the Ministry for Armaments and Munitions and fixed by the Price Commissioner.

6. If no Uniform or Group Price exist, Stop or maximum prices must be applied to recurrent performances.

7. Both contracting parties must go below the allowed prices if the allowed price is unjustifiably high.

8. Public orders can be placed on a cost plus basis only if neither Uniform or Group Prices or prices for recurrent performances can be applied. (LSOe price see above).

The VPOe thus establishes 5 price types namely:

1. Uniform and Group Prices;
2. Prices for recurrent performances, that is stop or maximum price;
3. Cost plus prices - not applicable to combat material orders.
4. Cost plus standard prices (Richtpreide)
5. Cost plus refundable price.

Number 3 requires rigid calculation. The cost plus standard price (No. 4) is less rigid, while No. 5 - an exceptional case - authorizes the entrepreneur to ask refund for his own costs no matter how high.

IV.

Investment Control 1/

Introduction

By investment control is understood the sum total of all government measures that direct the flow of capital within a national economy.

The measures taken may be classified as follows:

1. There may be direct government orders to invest in a specific branch of industry; or direct prohibitions not to invest;

2. There may be measures whereby the government itself finances plans;

3. Profit control measures directly affect the flow of investments.

4. There may be measures which, without containing direct investment orders, indirectly steer the flow of capital in a desired direction. Those indirect measures may be classified as follows:

a. the taxation policy;
b. raw material allocation;
c. allocation of machinery;
d. allocation of labor;
e. rationalization;
f. price control.

We are not concerned with the taxation policy and have discussed all other indirect investment measures.

We have thus only briefly to indicate the first two problems.

1. Direct Investment Orders.

a. A direct investment control exists only in the

1/ This chapter merely summarizes some major points. A more complete discussion of investment control will be found in the Section on Finance.

field of banking, savings bank and insurance institutions, executed by the Reich Commissioner for Credit Control. 1/ The statute on the control of credits defining the Commissioner's powers has been re-issued on September 25, 1939. 2/

b. Direct investment control over industrial plants is vested in the Minister of Economics by the Compulsory Cartel Act of July 15, 1933, which authorizes the Minister to prohibit the establishment of new plants, the expansion of existing ones, and generally to regulate plant capacities.

c. The Anleihestockgesetz (Dividend Limitation Act) of 1934 3/ restricted the distribution of dividends to 6 per cent and, in some cases, to 8 per cent. Excess dividends had to be invested by the corporations with the Gold Discount Bank which invested them, on behalf of the stockholders, in government bonds. The bonds were to be redeemed in 1938 and could be used for the payment of taxes in 1941 and the following years. The act intended to make the stock market less attractive to private investors and to channel the savings into government bonds. The effect of the Act was insignificant because by the end of 1940 the accumulated dividends amounted only to 108,000,000 Marks.

1941

The decree of Capital Transactions 4/ made the issue of stocks and shares of joint stock corporations and limited liability companies dependent upon the consent of the Minister of Economics. The executive decree of July 25, 1941 5/ eased the provisions of the prohibitions to some extent.

1/ Decree of the Ministerial Council for the Defense of the Reich, September 15, 1939 (Reichsgesetzblatt I, 1953)
2/ Reichsgesetzblatt I, 1955.
3/ See the survey by C. W. Guillebaud, The Economic Recovery of Germany London 1939, pp. 77, 78, 252-3/
4/ Verordnung ueber den Kapitalverkehr.
5/ Frankfurter Zeitung, August 28, 1941.

The ban on stock market issues was in full effect until 1936, and was almost abandoned in 1939.

2. Self-Financing.

In 1939, however, industry was no longer dependent upon the stock market or the bank for financing plant maintenance and plant expansion. Due to high prices and a lenient tax policy, it had been able to accumulate reserves and to defray the cost of expansion out of its own means. 1/ The undistributed profits rose as follows:

175,000,000 M in 1933
to 1, 200,000,000 M in 1935
and 3,420,000,000 M in 1938

and have risen since. The figures apply only to joint-stock corporations and limited liability companies. We have to add the undistributed profits of individual firms, partnerships and limited partnerships, and may come to a figure of 5,000,000,000 M in 1938 - as compared to only 1,200,000,000 M distributed profits in 1938.

This state of affairs prevailed up to 1942. Government expenditure was mounting; agricultural pressure groups demanded either a reduction of industrial prices or an increase in agricultural prices.

Speer appointed Dr. K. M. Hettlage Generalreferent (General Consultant) of the Ministry for Armament and Munitions. In August 1942, Hettlage published an article entitled "Finanzierungswende" (A Turn in Financing) 2/ in which he announced the following: in the future, the German government would not make advance payments to German industry for the manufacture of armament goods. The advance payments, so he continued , often constituted 60% of the order and the total

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1/ See OSS report: Banks, Industry and the Nazi Party, June 21, 1943.

2/ Der Deutsche Volkswirt, No. 45, August 7, 1942.

amount of advance payments amounted already to 5,000,000,000 Marks. This, he said, was a heavy strain on the German treasury. New "Principles for the Financing of Wehrmacht Orders" were then published. 1/ They are valid as from October 1, 1942. For all orders placed after this date, no new advance payments were to be made. Industry was referred to the assistance of the banks.

This was facilitated by the following procedure. 2/ The We hrmacht issues a confirmation certificate of its order together with the authorization to cede the claim against it to a bank, savings bank or insurance institution, and assumes bail for 30% of the ceded amount. In this way, the banks began to assume again a much greater economic significance than they had before.

The new system of financing proved very unfavorable for the subcontractors who experience great difficulties in securing the necessary credits. Previously, the prime contractor had handed out to them the money that he had received from the Wehrmacht. Now the sub-contractor was left to his own devices. The 30% bail that the Wehrmacht granted was applicable only to the prime not to the sub-contractors. The National Economic Chamber had, thus, publicly to demand that the prime contractor assisted their sub-contractors to secure the necessary funds, primarily by issuing bills of exchange to be discounted by the banks.3/

We may thus say that there has never been and is not now a conscious overall investment control in Germany. The major burden of financing plant expansion was left to industry. Controls were thus indirect, as mentioned above, though probably not less effective.

3. Profit Control.

The first genuine profit control legislation was enacted

1/ Der Wirtschafts-Ring, 1942, No. 33, August 14, 1942.
2/ See DAZ, May 6, 1943.
3/ See DAZ, May 6, 1943.

in March 1941 by the then Price Commissioner Wagner. It failed, although it was intrinsically sound, because it took the individual position of each businessman into account and demanded the surrender of excess profits.

This is recognized by nearly all National Socialists spokesmen 1/ who call the old profit tax "dynamic", the new one "static". Yet there was reason to doubt that they could ever be carried out. 2/ It was unlikely that a bureaucratic machine would ever be able to check upon each single producer and trader so as to find out whether he had made excess profits.

It is now generally admitted, even by Wagner's successor, Dr. Fischboeck, that a considerable part of the Price Commissioner's staff was busy with profit taxation so that the original function of the Price Commissioner's Office was increasingly neglected. In addition, jurisdictional disputes broke out between the Ministry of Finance (that is, for all practical purposes, the Secretary of State, F. Reinhardt) and the Price Commissioner, and there is no doubt that industry joined forces with the finance ministry against the Price Commissioner, not only because industry naturally dislikes a profit tax but also because this type of highly individualized profit tax created an enormous amount of administrative work. The new profit tax legislation aims at:

1. Cutting red tape;
2. Establishing the authority of the Ministry of Finance over taxation; and
3. Providing an incentive for rationalization.

The first two functions do not concern us and the third will be dealt with only briefly. The result of the old profit control measures was financially disappointing. UB

1/ Der Deutsche Volkswirt, April 24, 1942, No. 42.
2/ See: Behemoth, p. 317.

to the end of February 1942 (that is, for 11 months) only 232 million marks had been surrendered to the Federal Government. 1/ The funds, thus collected, in addition to those collected under the new legislation, will be separately administered by the government. A decision as to how they shall be utilized will be reached after the war. The government is "not interested" in the funds 2/ which may be considered as a kind of deposit for industry. 3/

The decree of March 31, 1942 4/ contains provisions for an increase in the corporation tax and new excess profit tax regulation.

The new excess profit tax is laid down in the first executive decree of March 31, 1942. 5/ Subject to the profit tax is the income of entrepreneurs 6/ from their entrepreneurial activities to the extent that this income is subject to the income or corporation tax. That is, entrepreneurs are taxed if:

1. Their income in 1941 has exceeded 30,000 Marks; and

2. The income for 1941 as compared with that of 1937-8 is "extraordinary" high;

3. Incomes are considered "extraordinary" high only if they exceed 150 percent of the income of 1938 or a minimum of 30,000 Marks.

1/ Berliner Boersenzeitung, April 11, 1942, Microfilm No. 20, according to a statement by F. Reinhardt.
2/ Frankfurter Zeitung, April 12, 1942, Microfilm No. 20.
3/ Yet apparently, industry need not, in the tax returns, name the thus surrendered profits under assets. See: Hamburger Fremdenblatt, April 15, 1942, Microfilm No. 18.
4/ Quoted from the text published in Deutsche Bergwerks Zeitung, April 10, 1942.
5/ Deutsche Bergwerks Zeitung, April 10, 1942.
6/ No free professions, charitable institutions, etc. The legal form in which entrepreneurial activity is exercised, is however, without relevance. See: Section I of the first executive decree.

The exemption of 30,000 Marks has thus three different meanings. Entrepreneurs earning less than 30,000 Marks are exempt; the permissable excess profit for 1941 over 1938 is alway s at least 30,000 Marks; and the permissable profit in 1941 is always at least 30,000 Marks. 1/

The tax rate is 25 percent for natural persons and so-called "personal" corporations (that is, partnerships and limited partnerships); and 30 percent for "capitalistic" corporations (namely: limited liability companies; joint-stock corporations; limited partnership-joint-stock corporations).

Not subject to the tax, if application is made, are profits made on deliveries under Uniform or Group I prices insofar as prices have been fixed jointly by the Minister of Armament and Munitions and the Price Commissioner. This will be made clear by the following example. Let us assume that:

1. The total turn-over of a corporation in 1941 was 20,000,000 M.
2. The turn-over at Uniform or Group I Prices was 15,000,000 M.
3. The extraordinary profit increase was 500,000 M.
4. The excess profit tax is 30% = 150,000 M.
5. The deduction permissable for Uniform or Group I Prices is then 75% (20:15) = 112,500 M.
6. The tax is thus 37,500 M. 2/

Fifty percent of the profit tax may be left to the entrepreneur if he established that he needs the amount either for reasons of maintaining and increasing the production of armament goods (wehrwirtschaftliche Gruende); or if he is in distress. The Gau Economic Chamber has to be heard before the tax officers decide upon applications of such kind. 3/

1/ See: also Frankfurter Zeitung, April 12, 1942, Microfilm No.20
2/ Taken from Berliner Boersenzeitung, March 29, 1942.
3/ Ruling of May 20, 1942 in Bruss. Zeitung, June 5, 1942, Microfilm No. 68.

The decree, besides, allows the tax officers to consider "extraordinary circumstances" such as changes in the financial and organizational structure of the enterprise, etc. The remaining provisions are without interest. The total burden of Income, Corporation and Profit taxes must not exceed 90 percent of the total profit. 1/

The new profit tax and the reasons therefore brought forward by National Socialists play havoc with the doctrines that deny the capitalistic character of the National Socialist economy. Funk, Fischboeck and all the magazines and newspapers cited 2/ make this abundantly clear. The Nazi regime does not appeal to the patriotism of the German industrialist but to the profit instinct. The new tax is deliberately designed in such a way as to induce entrepreneurs to deliver at Uniform and Group I prices that are lower than the old L.S.O. prices. If they want to enjoy the exemptions of the decree, they must sell more cheaply. This, in turn, requires a greater exploitation of the working class plus a more efficient organization of the plant. If they do so, they receive a financial reward. Consequently nearly all entrepreneurs have joined Group I, the lowest price group.

There is no doubt that the new profit tax provides a psychological stimulus for more production while it lessens the burden of the dead hand of the public and private bureaucracies.

In March 1943, the excess profit legislation was strengthened. The exemption was lowered from 30,000 M. to 20,000 M., and the 150 percent "normal" profit has been reduced to 120%

1/ Ruling of May 20, 1942 as above.
2/ i.e., Der Deutsche Volkswirt, April 24, 1942, No. 30 and Nos. 27-28; Deutsche Bergwerks Zeitung, April 10, 1942; Berliner Boersenzeitung, March 29, 1942 and April 11, 1942; Koelnische Zeitung, March 21, 1942; Frankfurter Zeitung, April 11-12, 1942.